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63D CONGRESS, 1st Session. } HOUSE OF REPRESENTATIVES. { REPORT No. 69.

CHANGES IN THE BANKING AND CURRENCY SYSTEM OF THE UNITED STATES.

SEPTEMBER 9, 1913.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. GLASS, from the Committee on Banking and Currency, submitted the following

REPORT.

TOGETHER WITH VIEWS OF THE MINORITY AND MINORITY VIEWS.

[To accompany H. R. 7837.]

The Committee on Banking and Currency, to which was referred the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, having had the same under consideration, report it back to the House with certain amendments and recommend that the bill as amended do pass.

AMENDMENTS.

The amendments to the bill are almost without exception mere alterations of phraseology, made for the purpose of consistency or with a view to clarifying the meaning of certain provisions. Thus, in section 2, page 3, line 19, the word "subscriber" is stricken out and the words "member bank" substituted in order to conform the language to other provisions of the bill; and so in section 3, page 4, lines 14, 16, and 17, and in section 5, page 11, lines 15 and 21, and on page 12, lines 6, 7, 10, 13, and 16, and in section 6, page 12, lines 20 and 21, and on page 13, lines 2 and 3; in section 7, page 13, lines 9, 10, and 22; in section 14, page 24, line 19.

Section 2, page 3, lines 24 and 25, is so amended by the committee as to require that no Federal reserve bank shall "commence business" with a paid-up and unimpaired capital less in amount than $5,000,000, the original provision being that no Federal reserve bank should "be organized" with a paid-up and unimpaired capital less than $5,000,000. This alteration is considered desirable by reason of the fact that member banks are permitted to pay their stock subscrip-

tions in two installments, covering a period of 60 days, and it is not deemed advisable to permit the Federal reserve banks to begin business until the total required subscriptions are paid, albeit they should be permitted to organize.

In section 3, page 4, line 12, the word "each" is inserted after "$100," and in lines 14 and 16 the word "stock" is inserted, to make it clear that the surplus of a bank is not comprehended in the use of the term "capital."

Section 4, page 4, beginning with line 24 and continuing to the word "Act," in line 9, page 5, is stricken out and the words in italics substituted in order to make plainer the method of organization prescribed for Federal reserve banks. The change in phraseology simply embodies the language of the statute relating to the organization of national banks and applies it to the organization of Federal reserve banks, whereas the provision originally simply made reference to the statute. In the same section, page 8, line 14, an amendment is inserted making provision for the contingency of a tie vote in balloting for Federal reserve bank directors of class A.

In section 5, page 12, line 17, an amendment is inserted requiring the Federal reserve board to prescribe regulations under which Federal reserve banks shall be required to make payment for surrendered shares of member banks which either reduce their capital stock or go into voluntary liquidation.

In section 10, page 17, line 22, and on page 18, line 1, and also in section 11, page 19, lines 15 and 16, and likewise in section 12, page 21, line 19, and on page 22, line 2, where the word "board" occurs the committee has altered the expression to "Federal reserve board" to make it more explicit.

In section 14, page 25, line 7, the semicolon after the word "Act" is stricken out and a comma substituted, and in line 9, after the word "securities," the comma is stricken out and a semicolon substituted, in order to make clearer the meaning of the provision.

In section 17, page 30, lines 9 and 10, an erroneous reference is corrected by striking out the words "and 15."

In section 20, page 37, line 16, and in the same section, page 38, line 16, the reserve requirement of 25 per cent within the 60-day period is dropped to 20 per cent in order to enable the reserve city and central reserve city banks the better to respond to the immediate demand upon them from the country banks in the first stage of shifting reserves. In short, instead of reducing the reserve requirement of the reserve city and central reserve city banks at the end of 60 days from the establishment of the Federal reserve bank, the reduction is made immediately after the Secretary of the Treasury shall have officially announced the organization of such bank. In the same section, page 38, lines 24 and 25, and on page 39, lines 1, 2, and 3, an alteration in phraseology is made so as to make the reserve requirement of central reserve city banks correspond exactly with the requirement of reserve city banks.

In section 26, page 44, lines 14 and 15, having reference to loans by national banks on farm lands, the words "or fifty per centum of its time deposits" are stricken out, for the reason that the committee thinks that the aggregate of such loans should be based on a bank's capital and surplus rather than on the constantly fluctuating per cent of time deposits.

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NATURE AND PURPOSE OF H. R. 7837.

H. R. 7837 is intended to bring about necessary changes in the present banking and currency system of the United States and to correct long-standing evils that have had a slow and deep-rooting growth. It aims at the rectification of the essential defects of the present system, although it does not seek to make all the innovations that might, from an ideal standpoint, be deemed desirable.

DEMAND FOR ACTION.

There has for a great while been strong public demand for remedial legislation on banking and currency. This demand was partly obscured during the controversy regarding the adoption of a monetary standard. Yet even before the adoption of the act of March 14, 1900, there had been a vigorous popular movement directed to the amendment of the national banking act. This took form in various voluntary organizations and in actions by bankers' associations as well as by organizations of business and commercial interests. It was practically universally admitted from 1898 onward that one of the basic commercial evils of the day was the lack of a suitable banking system.

This view has been frequently reiterated and restated ever since the earlier days of the banking discussion to which reference has been made. Of late it has taken form in renewed agitation following the panic of 1907 and promises of action have been made in nearly every political platform, by whatever party adopted, within recent years. The call is loud and comes from many sources of widely divergent character.

It is probable that not a single scientific student of currency and banking could be found who would approve the conditions which now exist in the United States or the banking system under which they have sprung up. Nowhere in the world to-day can there be found a banking system similar or analogous to that of the United States, or a situation as to credit which could be compared to that prevailing in this country at the present moment.

REASONS FOR ACTION.

The considerations which thus dictate action upon the banking and currency question at the present time have often been stated and from many different points of view. In the opinion of the committee there can be no doubt whatever with regard to the essential elements of the case. The general background of the situation which calls for banking reform is this: Half a century ago Congress, in the midst of a civil war, established a new system subsequently developed into the national banking system. The essential elements in this system were three in number: (1) The maintenance of the principle of free banking through the unrestricted organizati n of banking institutions; (2) the refusal to allow the extension of systems of banking throughout the country by the organization of branch banks; and (3) the adoption of a peculiar system of note issue

whereby the banks were required to buy a minimum of national bonds when chartered and subsequently to deposit with the Treasury bonds to protect all currency received by them for circulation. The different elements in this system will be fully considered at other points in the present report. It is enough now to suggest the general bearings of the case. This system has continued substantially unamended to the present time, and to-day includes some 7,473 banking institutions within its range. These banking institutions vary in size from $25,000 capital to $25,000,000. They are entirely local. The only bond between them is found either in mutual stock ownership or in the redepositing of reserves as they are permitted to do under the national-bank act. In view of the lack of any factor of unity the national banks have failed to furnish to the Nation as a whole a single and powerful system of credit. The strength of the credit situation in each community has depended upon the strength of the banks there situated, and, except in times of stress, has even in these communities been measured by the strength not of the strongest, but of the weakest institution there located. In times of stress the banks of such independent communities have at times in self-defense united to place their combined resources temporarily at the service of the public and of one another, but they have taken such action only under stern pressure. As a rule, they have been individualistic in the highest degree, and the country has lacked the capacity either to prevent credit disorders from breaking out locally and spreading to the centers, or to defend its own resources against the monetary demands of foreign nations or against the infection due to bad financial conditions in countries with which we stood in close relations.

The evidence that this system has not done its duty is not found in dishonesty or failure. While at times failures have been numerous among the national banks, as must necessarily be the case in any system of numerous and highly individualized banks, the average record of failure or irregularity has been small. No noteholder has ever lost a dollar, and the losses of depositors constitute in the aggregate a very small percentage of the total deposits held by the banks. The country has been enabled to do an expanding business, to its own great profit. But the evil of the situation has been perceived upon all those occasions when unusual pressure was brought to bear upon the banks of the country. In 1873, 1884, 1890, 1893, 1896, and 1907, to mention the most familiar occasions, it has been necessary for large groups of banks practically to suspend specie payments. They have done so as the result of concerted action, and one feature of the situation upon each of these occasions has been a genuine effort to relieve conditions by resorting to an issue of obligations for which the banks became jointly liable, and which in some measure helped to overcome shortage of currency and the stringency that was associated with it. In spite of all that could be done, however, the public has been put to great inconvenience and loss upon such occasions, the relations of the United States with foreign countries have been embarrassed, if not brought into jeopardy, the failure of firms, corporations, and individuals has been necessitated, and the loss of wealth has been tremendous. We think it is axiomatic that

these conditions should not be allowed to repeat themselves, but that they should in some manner be relieved or prevented, if possible.

On the other hand, the national banking system, with its many merits, has not proved responsive to the seasonal needs of the community. At periods of exceptional demand for credit the movement of currency between various points, with attendant expense and delay, has been enormous, while the expansion of this currency has been slow and halting, local necessities being met by withdrawing circulating media from other regions. In consequence, the marketing of the country's annual crops has been slow, difficult, and expensive, and it has frequently happened that various sections of the Nation have been obliged to depend too largely upon the limited extension of credit to them by banks located elsewhere.

Conversely, it has been found that whenever the seasonal needs of credit in agricultural regions throughout the United States had been met and when the crops there produced had been fully disposed of there was an accumulation of currency, partly borrowed from other portions of the country, partly of local origin, which could not be used to advantage upon safe or sound security throughout the less active portions of the business year, and which was therefore shipped to banks in distant cities, that it might be there put to some employment that would yield its owners an income. It has not always turned out that the employment thus found for it was desirable or, on the whole, conducive to the good of the country.

NATURE OF EXISTING CONDITIONS.

Turning from the general considerations which tend to prevent the acceptance of existing banking conditions as satisfactory, there is need of a recognition of the immediate status of the financial and business world at the present day. There can be no doubt that for some time past the national banks of the United States have been in a difficult situation. The committee has been amply warned and advised of this state of things, and a general knowledge of it is common to the country at large, certainly to all close or careful observers of existing conditions. In the reserve centers to-day banks are unable to extend the credit that they would under normal circumstances be disposed to grant, while merchants are frequently unable to get the accommodation to which they are entitled. A general tendency toward stringency evidently exists, and while this is not peculiar to-day to the United States it should not be felt here in anything like its present severity, inasmuch as this country has not had to bear the burden of warfare and destruction of capital that has been thrown upon the European countries. All over the western world there is now a distinct shortage of capital, both fixed and floating, while our banking and reserve situation is anything but reassuring. Under such circumstances it is highly desirable that the utmost efficiency should be given to the reserve resources in the hands of the banks and that they should be enabled to do all that circumstances will permit in extending to the business world the volume of loans that it needs, so long as they maintain themselves in position to protect the accommodation thus granted. Legislation which will relieve this pending condition of pressure and possible panic, which will place

the banks in position to employ their resources to the best advantage, which will obviate the necessity of expensive transfers of funds between different parts of the country, and which will furnish loans upon an inexpensive but absolutely safe basis was never more urgently demanded than it is to-day. It is this condition of affairs that has most strongly moved the Committee on Banking and Currency in its effort to press a measure of relief upon the attention of the House.

LACK OF PROTECTION AGAINST PANICS.

Reference has just been made to the fact that the national banking system, among other defects, fails to afford any safeguard against panics and commercial stringencies or any means of alleviating them. This fact has received more attention than has thus far been given to any other in the whole range of the banking and currency discussion, and there has been more effort to apply some legislative remedy to this than to any other condition.

In practice, when commercial credit had hopelessly broken down and the banks of the country found themselves seriously threatened by danger of failure, they have united for mutual protection, and clearing-house associations in the chief cities of the country have joined in the issue of certificates good in liquidating obligations between banks. Sporadic and temporary as this remedy has been, it nevertheless has proven effective while in use, and after the panic of 1907 an attempt was made to provide for a permanent resort to this so-called clearing-house currency by passing the act of May 30, 1908, ordinarily known as the Aldrich-Vreeland law. This law will expire automatically on June 30, 1914, inasmuch as the act itself carries a provision limiting its own life to six years. The fact that this legislation will thus expire is regarded by many persons as an additional argument for action at the present time, inasmuch as the measure in question constitutes the only emergency protection against conditions of sudden difficulty in the money market that the country now has. The Aldrich-Vreeland law provides for the establishment of organizations of banks, to be known as National Currency Associations, which are to be allowed to take out notes under certain conditions.

It is worth observing that up to date the Aldrich-Vreeland associations have been an entire dead letter. The situation regarding them was clearly sketched by the Comptroller of the Currency in his last annual report, in which he said:

> Under authority of the act of May 30, 1908, providing for the issue of "additional currency" secured otherwise than by United States bonds, 18 national currency associations have been formed, all of which, with the exception of the Los Angeles association, were formed prior to the current year. Each association has an aggregate capital and surplus of at least $5,000,000, and is composed of at least 10 national banks having an unimpaired capital and an unimpaired surplus of not less than 20 per cent of the capital, and having United States bonds on deposit to secure circulation to the extent of at least 40 per cent of its capital. There are 286 national banks forming these 18 national currency associations, their capital aggregating $321,105,710 and surplus $281,544,722. The capital represented is slightly in excess of 30 per cent of the paid-in capital stock of all national banks, as shown by the reports for September 4 last.

The title, membership, capital, and surplus of each of the associations are shown in the following table:

National currency associations.

Associations.	Number of banks.	Capital.	Surplus.
National Currency Association of Washington, D. C.	10	$5,702,000	$4,792,512
National Currency Association of the city of New York, N. Y.	33	117,052,000	127,175,000
National Currency Association of Philadelphia, Pa.	27	20,975,000	36,665,000
National Currency Association of the State of Louisiana	10	6,100,000	4,030,000
National Currency Association of Boston, Mass.	14	26,700,000	18,950,000
National Currency Association of Georgia	28	8,206,000	6,434,000
National Currency Association of Chicago	10	42,750,000	25,950,000
National Currency Association of St. Louis, Mo.	10	19,510,000	9,095,000
National Currency Association of St. Paul and Minneapolis	14	10,750,000	9,545,000
National Currency Association of Detroit	15	6,325,000	3,101,200
National Currency Association of Albany, etc.	11	3,560,000	3,385,000
National Currency Association of Kansas City, etc	10	6,659,000	3,800,000
National Currency Association of Baltimore	18	12,340,710	7,752,010
National Currency Association of Cincinnati	10	14,300,000	6,450,000
National Currency Association of Dallas	14	3,760,000	3,100,000
National Currency Association of Alabama	25	5,700,000	3,497,500
National Currency Association of Denver, etc.	15	4,700,000	4,991,500
National Currency Association of Los Angeles	12	6,025,000	2,831,000
Total	286	321,105,710	281,544,722

In accordance with the terms of the Aldrich-Vreeland Act, $500,000,000 in currency has been printed and is now ready, in blank, for issue in case of a call from any of the banks or currency associations authorized to issue notes by the terms of the law. Individual banks may issue such notes by depositing at the Treasury State or municipal bonds of approved kinds, receiving in exchange 90 per cent of the par value of such bonds, provided they are worth at least par. The currency associations may obtain notes equal to 75 per cent of the face value of commercial paper left with them by the constituent banks of the association.

One reason why the Aldrich-Vreeland law has never been availed of is that the issue of the currency was made very expensive, owing to the imposition of a heavy tax on such notes as might be taken out, while the banks were for a long time reluctant to go into the currency associations because of the onerous conditions under which they were at first required to be authorized by the terms of the regulations laid down by the Secretary of the Treasury. The law is thus not likely to be resorted to except in cases of very severe necessity for notes; but, even if such were not the case, it would remain a temporary expedient and a mere extension of its life would be only the renewal of such an expedient.

No statement could make clearer the inadequate character of the Aldrich-Vreeland Act or its purely temporary character. It is a weak makeshift, soon to expire.

RECOGNITION OF SITUATION.

That under the conditions just sketched there is a responsibility resting upon those in charge of the Government of the United States no one can deny. No more serious obligation to-day exists in the whole range of national problems. This duty has been amply recognized by the Democratic Party. In platform after platform it has stood firmly for the adoption of sound and courageous legislation, and at Baltimore in 1912 it adopted without dissent the following plank:

We oppose the so-called Aldrich bill for the establishment of a central bank; and we believe our country will be largely freed from panics, and consequent unemployment and business depression, by such a systematic revision of our banking laws as will render temporary relief in localities where such relief is needed, with protection from control or domination by what is known as the Money Trust.

Banks exist for the accommodation of the public and not for the control of business. All legislation on the subject of banking and currency should have for its purpose the securing of these accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

That this plank constitutes a direct claim upon the party, challenging its immediate attention, is the opinion of the Banking and Currency Committee. The claim is the more urgent because there has been a most lamentable failure to face the banking situation fairly in past legislation.

PREPARATIONS FOR WORK.

Believing that there would be a Democratic victory at the polls and fully appreciating the obligations to follow therefrom, the Banking and Currency Committee of the Sixty-second Congress had already begun preparations looking to the redemption of party pledges, past and present. In that Congress a subcommittee of the Banking and Currency Committee was directed to begin a study of the question of reform legislation. This subcommittee conducted preliminary inquiries during the summer and autumn of 1912, and having thus marked out the lines of necessary work undertook hearings during January and February, 1913, for the purpose of obtaining the views of qualified members of the community with regard to what ought to be done. The subcommittee extended invitations at that time to representatives of labor organizations, to agricultural associations, to the bankers of the country, to voluntary associations of citizens interested in questions of banking, money, and credit, and to individuals recognized as being expert students of monetary and credit conditions. While some of those who received invitations to appear before the subcommittee failed to accept, the majority did so, and practically all the essential phases of the situation were thoroughly canvassed. Besides holding these hearings, the committee sent to many economists, bankers, and expert persons questions bearing upon the currency and banking problem and received responses giving the views of those who were thus appealed to. H. R. 7837 was drafted as the result of these investigations and thus represents, all told, the results of approximately 16 months' work.

The Banking and Currency Committee as at present organized held its first meeting on June 6, 1913, and since that date the committee has devoted almost continuous work to the discussion of the bill. The outcome of its deliberations has been to approve the essential features of the bill H. R. 7837, with some modifications which are embodied in the measure as now reported.

WORK OF MONETARY COMMISSION.

The committee, in undertaking to prepare for banking and currency legislation, has first of all endeavored to take into account all existing data and to examine such preliminary work as had been made available. The most recent collection of such material available is that prepared under the auspices of the National Monetary Commission. While the Republican Party refused to take any affirmative action, except the act of May 30, 1908, it did undertake what was called an investigation of monetary and banking conditions. The act of

May 30, 1908, known as the Aldrich-Vreeland Act, already referred to, provided for the appointment of a body known as the National Monetary Commission, in the following language:

APPOINTMENT OF MONETARY COMMISSION.

SEC. 17. That a commission is hereby created, to be called the "National Monetary Commission," to be composed of nine members of the Senate, to be appointed by the Presiding Officer thereof, and nine Members of the House of Representatives, to be appointed by the Speaker thereof; and any vacancy on the commission shall be filled in the same manner as the original appointment.

POWERS OF COMMISSION—COMMISSION TO REPORT TO CONGRESS.

SEC. 18. That it shall be the duty of this commission to inquire into and report to Congress at the earliest date practicable what changes are necessary or desirable in the monetary system of the United States or in the laws relating to banking and currency, and for this purpose they are authorized to sit during the sessions or recess of Congress, at such times and places as they may deem desirable, to send for persons and papers, to administer oaths, to summons and compel the attendance of witnesses, and to employ a disbursing officer and such secretaries, experts, stenographers, messengers, and other assistants as shall be necessary to carry out the purposes for which said commission was created. The commission shall have the power, through subcommittee or otherwise, to examine witnesses and to make such investigations and examinations in this or other countries of the subjects committed to their charge as they shall deem necessary.

EXPENSES OF COMMISSION.

SEC. 19. That a sum sufficient to carry out the purposes of sections seventeen and eighteen of this act, and to pay the necessary expenses of the commission and its members, is hereby appropriated, out of any money in the Treasury not otherwise appropriated. Said appropriation shall be immediately available and shall be paid out on the audit and order of the chairman or acting chairman of said commission, which audit and order shall be conclusive and binding upon all departments as to the correctness of the accounts of such commission.

WHEN ACT EXPIRES BY LIMITATION.

SEC. 20. That this act shall expire by limitation on the thirtieth day of June, nineteen hundred and fourteen.

This commission was immediately organized and continued to do sporadic work until March, 1912, when it was dissolved by virtue of an act of Congress passed in the preceding August, just before the close of the special session of Congress summoned by President Taft for the discussion of the reciprocity question. Persons employed by the National Monetary Commission prepared a large series of books on various historical and current phases of the banking question, but the only significant feature of its work is found in a bill drafted under the auspices of the commission and finally laid before Congress with a brief accompanying report giving the reasons for the measure. This measure was at once introduced into Congress by Senator Theodore E. Burton, himself a member of the commission, and was referred to the Senate Finance Committee, but never received official consideration.

The monetary commission provided for as just described spent a large sum of money in costly travels, including journeys to Europe and outlays for printing. In answer to a request for information made by the Senate in 1911, Secretary MacVeagh, then in charge of the Treasury Department, sent to the House a letter in which he fixed the cost of the commission to May 12, 1911, at $207,130.

VALUE OF COMMISSION'S WORK.

The work done at such great cost should not, indeed can not, be ignored, but, having examined the extensive literature published by the commission, the Banking and Currency Committee finds little bearing upon the present state of things in the credit market of the United States. Most of the matter published by the commission is a revision or recasting of books and documents having only historical value or brought down to modern times by their authors or others. There is practically nothing of original value or of direct aid bearing upon the details of remedial legislation.

The bill favored by the commission and popularly known as the Aldrich bill, from the name of the chairman of the monetary commission, ex-Senator Nelson W. Aldrich, of Rhode Island, remains as the chief distinct trace of the commission's existence. It has not commended itself to the Banking and Currency Committee. The Aldrich bill is a lengthy and elaborate statute and no sufficient account of its contents or of the reasons for refusing to accept it can be given in brief space. Something, however, may be said of it. This bill has often been spoken of as a poisonous theoretical novelty and at other times as an ingenious scheme to create a central bank which would absorb all banking functions to itself. In fact it was neither of these things. Little of novel character is found in the ideas underlying the Aldrich bill. To mention only two of the many proposals embodying the same general ideas as those held by the framers of the Aldrich bill, the plans for banking and currency legislation suggested by Hon. Charles N. Fowler in his "A financial and banking system for the United States" (H. R. 23707, 60th Cong., 1st Sess.), and by Hon. Maurice L. Muhleman, in his "Plan for a central bank," reprinted from the Banking Law Journal, have the same purpose in view. They differ in several important details, none of which, however, is absolutely fundamental to the scheme presented.

The objects technically aimed at in all these measures were desirable and the criticism to be made of the Aldrich bill does not, in the opinion of the committee, reside in its confessed purposes, but in the methods by which it undertook to carry them out and the disregard of public welfare by which it was characterized.

The Aldrich bill was not a plan for a central bank as that term is properly used. It called for the creation of a national reserve association which was to do business only with banks, while the Government had but little power over the institution and the public neither business nor other relations with it. Without going further into the detailed analysis of the Aldrich bill it may be stated that the committee objects to the plan fundamentally on the following points:

1. Its entire lack of adequate governmental or public control of the banking mechanism it sets up.
2. Its tendency to throw voting control into the hands of the larger banks of the system.
3. The lack of adequate provision for protecting the interests of small banks and the tendency to make the proposed institution subserve the purposes of large interests only.
4. The intricate system by which the reserve institution it created was prevented from doing any business that might compete with that of existing banks.

5. The extreme danger of inflation of currency inherent in the scheme.

6. The clumsiness of the whole mechanism provided by the measure.

7. The insincerity of the bond-refunding plan provided for by it, there being a barefaced pretense that this system was to cost the Government nothing.

8. The dangerous monopolistic aspects of the bill.

ESSENTIAL FEATURES OF REFORM.

The other plans before the committee or examined by it have likewise been found unsatisfactory—some for reasons analogous to those which made the Aldrich bill unacceptable, others because of defective detail, erroneous principle, or faulty construction. An effort was, however, made to ascertain the constituent elements of these measures and of the Aldrich bill, common to all, which should be recognized and provided for in any new plan because representing the fundamentals of legislation. It is believed that these are as follows:

1. Establishment of a more nearly uniform rate of discount throughout the United States, and thereby the furnishing of a certain kind of preventive against overexpansion of credit which should be similar in all parts of the country.

2. General economy of reserves in order that such reserves might be held ready for use in protecting the banks of any section of the country and for enabling them to go on meeting their obligations instead of suspending payments, as so often in the past.

3. Furnishing of an elastic currency by the abolition of the existing bond-secured note issue in whole or in part, and the substitution of a freely issued and adequately protected system of bank notes which should be available to all institutions which had the proper class of paper for presentation.

4. Management and commercial use of the funds of the Government which are now isolated in the Treasury and subtreasuries in large amounts.

5. General supervision of the banking business and furnishing of stringent and careful oversight.

6. Creation of market for commercial paper.

Other objects are sought, incidentally, in these plans, but they are not as basic as the chief purposes thus enumerated.

The first problem in developing a measure was, of course, the consideration of various alternative courses which might be pursued.

CENTRAL BANK QUESTION.

At the outset of the committee's work it was met by a well-defined sentiment in favor of a central bank. This idea appeared to have become rooted with a large section of the banking community, and was the manifest outgrowth of the work that had been done by the National Monetary Commission, and those who believed that the recommendations of that body were well founded. While the institution which would have been created by the National Monetary Commission bill was not a central bank in the technical sense of the term, inasmuch as it did not do a general banking business, it was a central bank in many of the aspects that are usually regarded as

characteristic of that term. The idea of the monetary commission bill had been accepted with great fervor by those who believed that the use of a centralization principle was necessary, as well as by others who deemed that their own objects would be served by the particular form that had been given to the proposal of the monetary commission in its bill.

Without allowing itself to entertain any prepossessions either for or against the central bank idea, the committee carefully examined this notion both at hearings and through private study. It reached in general the following conclusions:

1. The idea of centralization or cooperation, or combined use of banking resources, is the basic idea at the root of central banking argument.

2. It is not necessary in order to obtain the benefits of the application of this idea that there should be one single central bank whose activities should be coterminous with the limits of a nation's territory.

3. Equally good results can be obtained by the federating of existing banks and banking institutions in groups sufficiently large to afford the strength or cooperating power which is the chief advantage of the centralization.

4. In the United States, with its immense area, numerous natural divisions, still more numerous competing divisions, and abundant outlets to foreign countries, there is no argument either of banking theory or of expediency which dictates the creation of a single central banking institution, no matter how skillfully managed, how carefully controlled, or how patriotically conducted.

5. It is therefore necessary to abandon the idea of a single central banking mechanism for the United States unless it shall be found that there are considerations of expediency which would dictate a resort to this policy.

6. For reasons which will be stated at a later point the conviction was formed not only that there are no such reasons of expediency, but that every consideration of that character would lead to action of an opposite nature.

It was therefore decided that throughout its efforts to formulate a banking measure there should be no necessary attempt to base the result of the bill upon the central banking idea. Only in so far as that idea indicated an easy and natural adjustment to existing institutions and conditions was it to be given a place in the ultimate findings.

BRANCH BANKING SYSTEM.

Many bills have been introduced into Congress from time to time for the establishment of branches of existing national banks, and the system has so widespread and respectable a support as to make it apparent from the outset that this aspect of banking theory and practice should be considered. The eminent success of the Canadian banking system and of others similar to it enforces upon the most indifferent student of the subject the significance of branch banking as a means of securing cooperation and the junction of resources in support of any weak element in a banking system that may have been subjected to attack at a given moment. It is clear that Canada,

for example, with her 27 banks and thousands of branch banks, represents a distinctly different type of banking from that which is exemplified by the national banking system with its 7,473 independent banks, none of which possesses a single branch formed under the national banking act. The question was thus clearly to be considered whether the bestowal of the branch power would in fact meet the difficulties of the present situation in the United States. Careful study of the applicability of the Canadian banking system to American conditions convinced the committee that an adaptation of it would not be feasible to-day. The successful introduction of the branch system would almost necessarily have meant the abandonment of the idea of free banking. While it would not necessarily have been requisite to abandon free banking in theory in order to introduce the Canadian principle, it would have been practically true that the power of establishing branch banks, if widely exercised by large national institutions, would have entailed the contracting of the number of independent banks in the United States and a corresponding limitation of the perfect freedom of competition which exists to-day. Certainly it would not have been possible to introduce the principles of the Canadian system into American banking without a very extensive and vital modification of banking legislation and conditions in the United States. That the country was prepared for so profound a modification, not to say transformation, of the basic ideas upon which the national banking system has been developed the committee did not believe and it was therefore led to the abandonment of all thought of attempting a plan of banking reform based upon the conception of large privately managed institutions operating unrestrictedly and with great numbers of branches. This conclusion did not, of course, imply any belief that the adoption of other features of the Canadian system which seemed applicable and could be easily grafted upon our own system was undesirable. It was a conclusion relating simply to one of the general ideas underlying the structure of Canadian banking.

QUESTION OF NOTE ISSUES.

Very early in its inquiries the committee was necessarily confronted with the question whether a mere reconstruction of the note-issue system of the United States would suffice to furnish the basis for banking reform. Ten years ago and earlier, the dominant note in banking reform literature seemed to be that of elasticity in currency, and it was frequently urged by men of widely different political beliefs and of totally varying views as to the theory of money and banking that the whole problem was essentially a matter of currency issue. The bankers who urged the creation of an asset currency and the public men who recommended the issuance of additional United States notes or Treasury notes, whether protected or unprotected, were fundamentally alike in their belief that the whole trouble with existing banking lay in a difficulty in securing proper supplies of currency when needed and of withdrawing them when not needed.

A careful study of this phase of banking discussion convinced the committee most unmistakably that those who would regard the banking and credit problem as soluble through the proper treatment of the paper currency question solely were accepting a superficial

view of the real elements of the difficulty. As is well known, the bank extends its credit in two forms, either (1) by the granting of a book credit or "deposit" or (2) by the issuing of notes. There is no essential difference between these two forms of credit, if they are protected by similar reserve funds, except that they are likely to have a different term of existence, the deposit credit being ordinarily redeemed much more rapidly and efficiently than even the most elastic note issues. To provide therefore for a free issue of note currency, whether by the Government or by the banks, would not meet the need for a more effective supply of deposit credits. In times of stress the difficulty under which banks labor is not usually that of lack of assets, but is that of inability to convert good assets into a medium that can be used in making payments. However desirable it might be to be able to turn sound and liquid commercial assets into a note currency payable to anyone willing to receive it, and however desirable it might be to obtain a free issue of Government legal-tender notes obtainable by any individual who might possess property of specified classes, such notes would plainly not meet the needs of those who desired the book form of credit. While they might indeed be converted into book credit by depositing them with the banks, such a course would have entailed many incidental consequences that should not have been made prerequisite to the obtaining of means of payment. It was felt therefore that a return to the older conception of banking reform as being primarily a problem of securing easily expansible supplies of notes would not meet the needs of the situation to-day, and even though it should prove to be of some temporary value in times of special stress would not constitute that permanent and reliable support to business credit that was sought. It was therefore concluded that while a proper issue of note currency should necessarily be included as a feature in any measure to be recommended it could not be taken as the sole or even the primary purpose of such legislation.

CLEARING-HOUSE ORGANIZATION.

Another type of plan that has been frequently urged by students of banking conditions in the United States is that of clearing-house organization. It has been suggested that inasmuch as the clearing-house associations of the country represent a kind of voluntary association among bankers—one, too, that has already been frequently and successfully availed of in time of stress—it would be well worth while to endeavor to base such new organization as might be favored upon the clearing houses of the country. Various plans for this purpose have been worked out with more or less success. The Aldrich-Vreeland law, already frequently referred to, was a partial application of this idea although before the act was finally adopted it had become necessary to modify in very great degree the original clearing-house principles upon which the plan was in the first instance founded. Most such plans have proceeded upon the theory that it was entirely feasible to compel banks to join national clearing-house associations which should be incorporated and over which the Government should exercise a measure of control. To these incorporated clearing houses, it has been suggested, could be committed the function of issuing "emergency currency" based upon the joint assets

of the banks, thus providing for regular and authorized employment of the method of credit extension which has been made use of in times past when stringent conditions had developed themselves in the banking community. It has not been deemed wise upon examination to attempt any device of this sort. If the clearing houses as thus recognized and authorized perform their functions of credit extension only occasionally and sporadically they remain an emergency expedient. The committee is convinced that what is needed is not a means of remedying emergencies after they have arisen but a plan for guarding against the development of such emergencies and for so protecting the community that it will not be under the necessity of calling for the use of abnormal devices in its interest. If the clearing-house associations referred to should be organized upon a permanent basis with a view to making such extensions of credit as a regular and normal incident of business, they would not in any material respect differ from banking institutions. The retention of the name "clearing houses" would then be misleading and could not be defended. From no point of view, therefore, has the plan suggested commended itself. This does not signify that the idea of cooperative effort embodied in the clearing-house plan is unsatisfactory, but, as will be seen later, quite the contrary. It does mean that the use of existing clearing-house machinery for the purpose of granting accommodation under exceptional conditions does not seem to the committee to be a wise method of providing the credit resources that are needed in affecting a thorough reform of the banking and currency system of the country.

OTHER PLANS INADEQUATE.

Of the multitude of other plans, some beyond the confines of reasonableness, others more or less conforming to actual necessities and to legitimate principles of banking and currency legislation, nothing needs be said except that none has been found which, in the opinion of the committee, is at the same time feasible, available, trustworthy, and sufficiently inclusive to afford a thorough basis of reform of the present conditions. The committee does not feel that the legislation now to be adopted should seek to include within its scope all the possible features upon which action is required, but rather that it should attempt to lay a foundation for future development by selecting those elements in the situation that are most in need of attention and seeking to deal thoroughly with the problems offered in this more restricted field of action. It has therefore put aside many schemes of reform which, however desirable they might abstractly be, do not conform to the standards already outlined. It has limited itself to the fundamental necessities of the present situation as it views them and has sought to keep its recommendations within narrow scope in order that no extraneous issues might become involved with the general problem which lies at the base of further improvement. It has deferred the thorough reform of the national-bank act on its administrative side, and it has determined to postpone, in like manner, the question of long-term agricultural credit, firmly believing that neither of these subjects can be adequately dealt with until the substructure of banking organization has been remodeled.

FUNDAMENTAL FEATURES OF REFORM.

After looking over the whole ground, and after examining the various suggestions for legislation, some of which have just been outlined, the Committee on Banking and Currency is firmly of the opinion that any effective legislation on banking must include the following fundamental elements, which it considers indispensable in any measure likely to prove satisfactory to the country:

1. Creation of a joint mechanism for the extension of credit to banks which possess sound assets and which desire to liquidate them for the purpose of meeting legitimate commercial, agricultural, and industrial demands on the part of their clientele.

2. Ultimate retirement of the present bond-secured currency, with suitable provision for the fulfillment of Government obligations to bondholders, coupled with the creation of a satisfactory flexible currency to take its place.

3. Provision for better extension of American banking facilities in foreign countries to the end that our trade abroad may be enlarged and that American business men in foreign countries may obtain the accommodations they require in the conduct of their operations.

Beyond these cardinal and simple propositions the committee has not deemed it wise at this time to make any recommendations, save that in a few particulars it has suggested the amendment of existing provisions in the national-bank act, with a view to strengthening that measure at points where experience has shown the necessity of alteration.

PROPOSED PLAN.

In order to meet the requirements thus sketched, the committee proposes a plan for the organization of reserve or rediscount institutions to which it assigns the name "Federal reserve banks." It recommends that these be established in suitable places throughout the country to the number of 12 as a beginning, and that they be assigned the function of bankers' banks. Under the committee's plan these banks would be organized by existing banks, both National and State, as stockholders. It believes that banking institutions which desire to be known by the name "national" should be required, and can well afford, to take upon themselves the responsibilities involved in joint or federated organization. It recommends that these bankers' banks shall be given a definite capital, to be subscribed and paid by their constituent member banks which hold their shares, and that they shall do business only with the banks aforesaid, and with the Government. Public funds, it recommends, shall be deposited in these new banks which shall thus acquire an essentially public character, and shall be subject to the control and oversight which is a necessary concomitant of such a character. In order that these banks may be effectively inspected, and in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole, the committee proposes a general board of management intrusted with the power to overlook and direct the general functions of the banks referred to. To this it assigns the title of "The Federal reserve board." It further recommends that the the present national banks shall have their bonds now held as security

for circulation paid at the end of 20 years, and that in the meantime they may turn in these bonds by a gradual process, receiving in exchange 3 per cent bonds without the circulation privilege.

In lieu of the notes, now secured by national bonds and issued by the national banks, and, so far as necessary in addition to them, the committee recommends that there shall be an issue of "Federal reserve Treasury notes," to be the obligations of the United States, but to be paid out solely through Federal reserve banks upon the application of the latter, protected by commercial paper, and with redemption assured through the holding of a reserve of gold amounting to 33⅓ per cent of the notes outstanding at any one time. In order to meet the requirements of foreign trade, the committee recommends that the power to establish foreign branch banks shall be bestowed upon existing national banks under carefully prescribed conditions and that Federal reserve banks shall also be authorized to establish offices abroad for the conduct of their own business and for the purpose of facilitating the fiscal operations of the United States Government. Finally and lastly, the committee suggests the amendment of the national-bank act in respect to two or three essential particulars, the chief of which are bank examinations, the present conditions under which loans are made to farming interests, and the liability of stockholders of failed banks. It believes that these recommendations, if carried out, will afford the basis for the complete reconstruction and the very great strengthening and improvement of the present banking and credit system of the United States. The chief evils of which complaint has been made will be rectified, while others will at least be palliated and put in the way of later elimination.

FEDERAL RESERVE BANKS.

The Federal reserve banks suggested by the committee as just indicated would be in effect cooperative institutions, carried on for the benefit of the community and of the banks themselves by the banks acting as stockholders therein. It is proposed that they shall have an active capital equal to 10 per cent of the capital of existing banks which may take stock in the new enterprise. This would result in a capital of something over $100,000,000 for the reserve banks taken together if practically all existing national banks should enter the system. It is supposed, for a number of reasons, that the banks would so enter the system. More will be said on this point later in the discussion. How many State banks would apply for and be granted admission to the new system as stockholders in the reserve banks can not be confidently predicted. It may, however, be fair to assume at this point that the total capital of the reserve banks will be in the neighborhood of $100,000,000. The bill recommended by the committee provides for the transfer of the present funds of the Government included in what is known as the general fund to the new Federal reserve banks, which are thereafter to act as fiscal agents of the Government. The total amount of funds which would thus be transferred can not now be predicted with absolute accuracy, but the released balance in the general fund of the Treasury is not far from $135,000,000. Certain other funds now held in the department would in the course of time be transferred

to the banks in this same way, and that would result in placing, according to the estimates of good authorities, an ultimate sum of from $200,000,000 to $250,000,000 in the hands of the reserve banks. If the former amount be assumed to be correct, it is seen that the reserve banks would start shortly after their organization with a cash resource of at least $300,000,000. As will presently be seen in greater detail, it is proposed to give to the reserve banks reserves now held by individual banks as reserve holders under the national banking act for other banks. Confining attention to the national system, it is probable that the transfer of funds thus to be made by the end of a year from the date at which the new system would be organized would be in the neighborhood of $350,000,000. If State banks entered the system and conformed to the same reserve requirements they would proportionately increase this amount, but for the sake of conservatism the discussion may be properly confined to the national banks. For reasons which will be stated at a later point, it seems likely that at least $250,000,000 of the reserves just referred to would be transferred to the reserve banks in cash; and if this were done the total amount of funds which they would have in hand would be at least $550,000,000. This would create a reservoir of liquid funds far surpassing anything of similar kind ever available in this country heretofore. It would compare favorably with the resources possessed by Government banking institutions abroad.

It will be observed that in what has just been said the reserve banks have been spoken of as if they were a unit. The committee, however, recommends that they shall be individually organized and individually controlled, each holding the fluid funds of the region in which it is organized and each ordinarily dependent upon no other part of the country for assistance. The only factor of centralization which has been provided in the committee's plan is found in the Federal reserve board, which is to be a strictly Government organization created for the purpose of inspecting existing banking institutions and of regulating relationships between Federal reserve banks and between them and the Government itself. Careful study of the elements of the problem has convinced the committee that every element of advantage found to exist in cooperative or central banks abroad can be realized by the degree of cooperation which will be secured through the reserve-bank plan recommended, while many dangers and possibilities of undue control of the resources of one section by another will be avoided. Local control of banking, local application of resources to necessities, combined with Federal supervision, and limited by Federal authority to compel the joint application of bank resources to the relief of dangerous or stringent conditions in any locality are the characteristic features of the plan as now put forward. The limitation of business which is proposed in the sections governing rediscounts, and the maintenance of all operations upon a footing of relatively short time will keep the assets of the proposed institutions in a strictly fluid and available condition, and will insure the presence of the means of accommodation when banks apply for loans to enable them to extend to their clients larger degrees of assistance in business. It is proposed that the Government shall retain a sufficient power over the reserve banks to enable it to exercise a directing authority when necessary to do so, but that it shall in no way attempt to carry on through its own mechanism the routine opera-

tions of banking which require detailed knowledge of local and individual credit and which determine the actual use of the funds of the community in any given instance. In other words, the reserve-bank plan retains to the Government power over the exercise of the broader banking functions, while it leaves to individuals and privately owned institutions the actual direction of routine.

TRANSFER OF RESERVES.

Reference has been briefly made to the fact that the committee's proposals provide for the transfer of bank reserves from existing banks which hold them for others to the proposed reserve banks. At present the national banking act recognizes three systems of reserves:

(1) Those in central reserve cities, where banks are required to hold 25 per cent of their deposit liabilities in actual cash in the vaults, while banks situated outside of such cities are allowed to make certain deposits with them which shall count as a part of the reserves of such outside banks.

(2) Those in reserve cities, 47 in number, which are required to keep a nominal reserve of 25 per cent, 12½ per cent of this being in cash in their own vaults, while 12½ per cent may consist of deposits with banks in central reserve cities.

(3) Those in the "country," by which is meant all places outside of central reserve and reserve cities, it being required that such banks shall nominally keep 15 per cent of their deposit liabilities, of which 6 per cent is held in cash in their vaults and 9 per cent may be held in the form of balances with other banks in reserve and central reserve cities.

The original reason for creating this so-called "pyramidal" system of reserves was that inasmuch as central banking institutions were absent, and inasmuch as banks outside of centers were obliged to keep exchange funds on deposit with other banks in such centers, it was fair to allow exchange balances with such centrally located banks to count as reserves inasmuch as they were presumably at all times available in cash. This is an absolutely anomalous and unique system, found nowhere outside of the United States, and dangerous in proportion as the number of the reserve centers thus recognized increases beyond a prudent number. The law has almost necessarily been liberal in recognizing the power to increase the number of such centers, with the result that whereas but few existed just after the organization of the national bank act, there being then 3 central reserve and 13 reserve cities, there are to-day 3 central reserve and 47 reserve cities. Even had this extension of the number of centers not occurred, the system established under the national banking act would still have been unsatisfactory. As matters have developed, it has been vicious in the extreme. Coupled with the inelasticity of the bank currency, the system has tended to create periodical stringencies and periodical plethoras of funds. Banks in the country districts unable to withdraw notes and contract credit when they have seen fit to do so, because of the rigidity of the bond-secured currency, have redeposited such funds with other banks in reserve and central reserve cities and have thus built up the balances which they were entitled to keep there as a part of their reserves.

Moreover, the practice of thus redepositing funds having been once established, it has been carried to extreme lengths, and at times has been decidedly injurious in its influence. The payment of interest on deposits by banks in the centers has been used for the purpose of attracting to such banks funds which otherwise would have gone to other centers or to other banks in the same centers or which would have been retained at home. The funds thus redeposited, even when not attracted by any artificial means, have of course constituted a demand liability, and have been so regarded by the banks to which they were intrusted.

In consequence, such banks have sought to find the most profitable means of employment for their resources and at the same time to have them in such condition as would permit their prompt realization when demanded by the depositing banks which put them there. The result has been an effort on the part of the national banks, particularly in central reserve cities, to dispose of a substantial portion of their funds in call loans protected by stock-exchange collateral as a rule. This was on the theory that, inasmuch as listed stock-exchange securities could be readily sold, call loans of this type were for practical purposes equivalent to cash in hand. The theory is of course close enough to the facts when an effort to realize is made by only one or few banks, but is entirely erroneous whenever the attempt to withdraw deposits is made by a number of banks simultaneously. At such times, the banks in central reserve and reserve cities are wholly unable to meet the demands that are brought to bear on them by country banks; and the latter, realizing the difficulties of the case, seek to protect themselves by an unnecessary accumulation of cash which they draw from their correspondents, thereby weakening the latter and frequently strengthening themselves to an undue degree. Under such circumstances the reserves of the country, which ought to constitute a readily available homogeneous fund, ready for use in any direction where sudden necessities may develop, are in fact scattered and entirely lose their efficiency and strength owing to their being diffused through a great number of institutions in relatively small amount and thereby rendered nearly unavailable. This evil has been met in times past by the suspension of specie payments by banks and by the substitution of unauthorized and extra-legal substitutes for currency in the form of cashiers' checks, clearing-house certificates and other methods of furnishing a medium of exchange. Needless to say such a method of meeting the evil is the worst kind of makeshift and is only somewhat better than actual disaster.

HOLDING OF FUNDS.

The committee believes that the only way to correct this condition of affairs is to provide for the holding of reserves by duly qualified institutions which shall act primarily in the public interest and whose motives and conduct shall be so absolutely well known and above suspicion as to inspire unquestioning confidence on the part of the community. It believes that the reserve banks which it proposes to provide for will afford such a type of institutions and that they may be made the effective means for the holding of the liquid reserve funds of the country to the extent that the latter are not needed in the vaults of the banks themselves. To meet this end it proposes

that every bank which shall become a stockholder in the new reserve banks shall place with the Federal reserve bank of its district a portion of its own reserve equal ultimately to 5 per cent of its demand deposits. Country banks would be required to keep 5 per cent in their own vaults, while the remaining 2 of a required total of 12 per cent might be at home or in the reserve bank of the district. In the case of reserve and central reserve cities the committee has felt that the change in their position as reserve-holding banks acting for other banks called for a corresponding change in the cash to be held by these banks. It has therefore reduced the gross reserve requirements from 25 to 18 per cent of deposits and the cash in vault requirement from 25 per cent in the central reserve cities to 9 per cent and from $12\frac{1}{2}$ per cent in the reserve cities to 9. This places the two classes of reserve cities on an equal basis, leaves each ultimately with 9 per cent cash, requires each to keep 5 per cent in the reserve bank of the district, and permits each to keep a final 2 or 4 per cent either there or in its own vaults.

A period of three years is granted during which the deposits of country banks may be kept with the present correspondent banks in order that the latter may not be unduly embarrassed by sudden withdrawals while the new reserve banks will not be as suddenly compelled to provide for using a very large quantity of funds. The committee is aware that the step thus recommended is of fundamental importance and will produce an extensive transformation in present methods of national banking. It, however, believes that the effects of this transformation will be altogether beneficial and is confident that the conditions under which the change is to take place as provided in the new bill are such as to make the transfer not only without suffering to the banks but under conditions that will actually enable them to extend further loans to the community. The actual effects of the operation proposed have been worked out in some detail by the committee and are presented as a series of computations in connection with the section of the proposed bill which provides for the revision of reserve requirements. Final analysis of these figures may be deferred until that point. It is enough to say at this point that a sufficient amount of reserve has been released, as compared with present requirements, amply to provide for the actual transfer of funds called for by the bill at the outset of the new system. Subsequent transfers will amount only to about enough to place the new system upon the same basis as the old in the matter of reserve requirements, when a margin has been allowed for contributions of capital and for possible accessions of State banks to the system. Or, to sum up, the new system will require less cash than the present one in order to fulfill its reserve requirements and provide for the payment of capital subscriptions. The margin between present and proposed requirements which it is thought should be left in order that State banks may come into the system without causing any strain upon the cash resources of the country will probably be from $100,000,000 to $150,000,000, a sum which is believed to be ample. Needless to say the new reserve requirements will not fall upon all banks in precisely the same way or with precisely the same degree of severity. In the case of some it may be that a transfer of cash to the new system will be undesirable. In such an event it is, of course, always open to the banks to establish their required reserve credit with

the new Federal reserve banks by rediscounting paper with them. With the enormous resources that will belong to these reserve banks at the outset they will be amply able to take care of many times the amount of any such applications that are likely to be made to them.

RETIREMENT OF BOND-SECURED CURRENCY.

There are several important reasons for the retirement of bond-secured currency. The most obvious is that bond-secured notes are not "elastic." By this is meant that the necessity of purchasing bonds to be deposited with a trustee for the protection of note issues prevents banks from issuing these notes as freely and promptly as they otherwise would, while it also prevents them from retiring or contracting the notes as freely and promptly as would otherwise be the case. There is little or no disagreement at present among students of the banking and currency problem in the United States that the retirement of the bond-secured notes is essentially necessary if success is to be had in restoring elasticity to the circulation and in making the national banking system really responsive to the needs of business. For that reason every plan of currency or banking reform that has been put forward during the past 15 years has contained as an important factor some provision for getting rid of the bond-secured notes. The basic criticism on the present system of notes already indicated is reenforced by the fact that the supply of United States bonds available for use in protecting note issues is likely to be limited, as was the case in the panic of 1907. Then the national banks were not able to enlarge their issues because of their inability to obtain further bonds, until they had been aided by the action of the Government in issuing additional bonds for the very purpose of furnishing a backing for currency, notwithstanding that at that moment there was a very large surplus in the Treasury. Over and above this consideration has been the fact that the formalities and technicalities connected with the issue of bank notes based upon bonds have been so great and troublesome as to preclude the easy and prompt supplying of currency, even when there were enough bonds in the market to furnish all the backing for notes that might be desired. This shows why, apart from the special and peculiar difficulties that attend anything of the sort, the substitution of bonds other than national for the national bonds now used will not help the situation. The only way to relieve the bad conditions that have developed in connection with national-bank currency is, therefore, generally admitted to be the abandonment of the bond-security plan and the introduction of something else in its place.

DIFFICULTY OF BOND HOLDINGS.

The first difficulty in passing from the bond-secured system of note issues to anything that might be devised to take its place is the fact that even if all had been satisfactorily arranged with reference to the new system, its soundness, etc., the difficulty of dealing with the bonds would remain. The act of March 14, 1900, provided for refunding the outstanding bonds into the 2 per cent consolidated debt and these 2 per cent bonds were subsequently sold at premiums

which once ran as high as 8 or 9 per cent and have regularly been 2 or 3 per cent or more. Primarily as a result of general depreciation in the values of bonds due to rising prices and higher interest for capital, the national bond quotations have sunk until the 2 per cents are now below par. The ownership of bonds has thus inflicted a severe loss upon holders already, and something like $30,000,000 has, according to the Comptroller of the Currency, been "written off" by the banks and must be regarded as one of the costs of carrying the note system at present in use. There is general agreement that if the circulation privilege were to be taken from t' e 2 per cent bonds or, what is the same thing, if a new system of note issue were to be established which would practically displace the present system, the twos would deteriorate to a price not higher than 80. This would mean a shrinkage of one-fifth of the par value of the bonds and would inflict upon the banks an aggregate loss of nearly $150,000,000. Alternative to this is the idea of providing for a refunding of the bonds. Experience, as well as computations made in the Treasury, indicate that 3 per cent is now about the level of the Government's present borrowing power. The $50,000,000 Panama bonds last sold brought a premium of between 2 and 3 per cent, but 3 per cent interest without the circulation privilege represents the minimum interest that must be paid (in round numbers) upon any future issue which is to be floated upon an investment basis. In order to safeguard the banks against loss, therefore, a plan of refunding into 3 per cent bonds would have to be followed. The banks might be offered cash payment for their bonds at par, and the new securities might be sold for what they would bring, or an exchange of 3 per cents for the old twos might be ordered. The latter would be simpler, and the former would probably cost a little more. Either plan would entail an increase in the present interest burden nearly amounting to 1 per cent annually on at least $740,000,000, or $7,400,000 a year.

Temporary alternatives for the retirement of the bonds are, however, proposed here and there. The most familiar and perhaps the most available plan of the sort is that which proposes to require banks to have outstanding a certain percentage of notes based on bonds before they become eligible to take out notes without bond security. This would mean that an inflexible volume of bank notes was kept outstanding, or at all events that an inflexible volume of bonds was held by the banks to protect such outstanding notes in case they should be issued, and that whatever new form of currency might be provided for would come out in excess of or in addition to the basic volume of notes and bonds already referred to. The plan would partially destroy the possibilities of elasticity in the note currency system, but at the same time it would operate to keep up the value of the existing bonds for the time being. The question would then be whether the effort to sustain the value of the bonds in this manner during the remainder of their life was not too great to be compensated for by the saving in interest thereby effected. The general opinion of students of the subject undoubtedly is that this temporary method of sustaining the value of the bonds is undesirable, and that it is far better to recognize the facts in the case and take up the securities in such a way as to relieve the banks from any danger of further loss, the Government bearing the increased interest charge and leaving the banks to turn in their securities at will.

What has been thus far said has been founded upon the assumption that agreement had been reached with reference to the method of note issue to be followed when once a plan for retiring the old notes and disposing of the bonds had been agreed upon. While no such agreement has ever been arrived at, it is true that substantial agreement has been reached with reference to the basis on which the notes which are to supersede national-bank issues shall be put out.

Another phase of the note-issue question is seen in connection with the problem by whom the notes should be issued. The current assumption is that in the event of the creation of any central or cooperative institution the note-issue power now exercised by the several banks should be transferred to and vested in this new organization. There has been a tendency to overestimate the importance of the note-issue function and to treat it as if it were the chief object to be attained in banking legislation. This idea may be attributable to the belief that "emergency currency" is what is needed in order to relieve panics and stringencies, whereas what is actually needed is fluid resources of some kind, whether notes or not. The belief that the notes are very important has also been stimulated by the experience in this country with clearing-house certificates, which are often spoken of as if they were notes. The fact is that they are merely evidences that the banks that have gone into the clearing-house arrangement are willing to accept a credit substitute for money in settling their balances with one another. It remains true that the provision of a satisfactory note currency would be a long step in advance, as compared with existing conditions. With proper control and restriction it would, however, supply a means of obtaining additional circulating media in time of panic or stringency when there was a tendency to hoard money, and would to that extent relieve the danger of collapse due to inability to convert assets into fluid resources. It is therefore a cardinal element in currency and banking reform and should be provided for.

COMMITTEE'S NOTE PLAN.

After reviewing all of the different factors in the situation, the Banking and Currency Committee has reached the conclusion that the issue of national-bank notes now current should, for the reasons already surveyed, be retired despite the serious difficulties that have been sketched, and that in their place a new issue of notes put out by the Government of the United States and closely controlled by it should be authorized. This issue of notes it is proposed to entitle "Federal reserve Treasury notes." In its essence the plan now recommended by the committee for a new note issue contains the following points:

1. Ultimate withdrawal of the circulation privilege from the Government bonds of all classes.
2. Issue of notes by the Government through Federal reserve banks upon business paper held by such banks.
3. Redemption of such notes and regulation of their amount outstanding at any moment through Federal reserve banks.

The ultimate withdrawal of the circulation privilege means that some provision of proper character must be made for the existing bonds. It is suggested that, first of all, this should mean the payment of the bonds at maturity and a definite statement to that effect.

This the committee has included in its bill. The bonds now have no due date, and while the Government may redeem them after 1930, they are not necessarily payable at that period. If the bonds are to be continued outstanding, it would seem to be an essential feature of their composition that they shall be allowed to retain the circulation privilege. To get rid of this, it is only necessary to declare them due and payable as soon as the Government has the right to apply that principle. But, in the second place, it would appear that the reform of the currency along the lines proposed, if it is ever to make a fair start, should proceed from the abolition of the circulation requirement in the case of banks either organized or to be organized. The committee has, therefore, proposed to repeal that provision of the existing law which requires the deposit of bonds by every bank in stated amounts. This means that banks may, if they choose, entirely free themselves from circulation. In order to enable them to do this, and at the same time to supply the place of the small but steady demand for bonds which was afforded by the purchases made by newly organized banks, the committee proposes to allow a voluntary refunding process to be carried out over a period of 20 years at the rate of not to exceed one-twentieth of the circulation outstanding at the time of the passage of the act. It is probable that if this provision were fully availed of it would mean an annual refunding of 2 per cent bonds amounting to about $37,500,000. In consideration of the action of the banks in surrendering the circulation privilege on the bonds which they thus voluntarily present for refunding, it is proposed to give the banks a 3 per cent bond without the circulation privilege. This is believed to be an excellent business policy for the Government, as it could scarcely borrow at a lower rate than 3 per cent to-day. What it will be able to do at the end of 20 years is entirely problematical, but it is a fact that the circulation privilege is worth at least 1 per cent, and in surrendering it the banks get no undue consideration from the Government. They do, however, materially facilitate the process of converting the old national-bank notes into the proposed new issue of Federal reserve Treasury notes.

COST TO THE GOVERNMENT.

That the cost to the Government of this conversion will be 1 per cent on the amount converted, or in the last analysis very near $7,500,000, if all the bonds should thus be surrendered is obvious; but it is also clear that the change would, for reasons stated, be an excellent investment for the Government. The committee has arranged to give the proposed Federal reserve board power to tax the new currency at such rate as it might deem best, and should it impose a tax of 1 per cent the Government would be reimbursed for any excess interest payments which it might be required to make on the new bonds. Over and above this plan of recouping itself for any losses is the fact that the Government is to receive a substantial share of the earnings of the proposed institutions of rediscount. If the plan of the committee should be accepted and carried through in complete form, the result would be a profitable one for the Government.

Whatever may be the ultimate earnings of the banks, however, the committee is convinced that the conversion of the bonds and the

retirement of the present notes, followed by the issue of new notes, ought to be effected at all hazards and at any cost, as a fundamentally desirable public reform. It believes that the change should be carried through upon a frank, open, and direct basis, and that no effort should be made to mask, as was done in the Aldrich bill, proposed by the Monetary Commission, the real nature of the process or the burden and distribution of its cost.

The committee is of the opinion that in order to have the new currency at once satisfactory and effective, it must be (*a*) sound and (*b*) elastic. The soundness of the new notes will, in its judgment, be amply secured by the fact that they are made obligations of the Government and a first lien on the assets of the Federal reserve banks issuing them, while they have also been immediately protected by the hypothecation of first-class commercial paper in the hands of an agent of the Federal reserve board at each of the banks. Their elasticity depends entirely upon two fundamental elements—(1) the provision of an adequate money fund for their redemption and (2) provision for the prompt presentation of the notes. The money fund is provided by the requirement that no notes shall be issued by a Federal reserve bank unless 33⅓ per cent of money shall have been segregated in the vaults of the issuing institution for the purpose of paying such notes upon presentation by any holders. The banks are left to provide this fund, and are both vested with the duty and equipped with the power to obtain it and hold it, either by withdrawing it from domestic channels or importing it. They are required to redeem the Federal reserve Treasury notes, both of their own issue and those issued by other Federal reserve banks, whenever the notes may be presented to them from any source; while, as a central point of redemption, it is provided that the Treasury Department shall pay the notes out of a fund of money (constituting part of the 33⅓ per cent referred to) which shall be placed in their hands by the several banks. This means that the Federal reserve Treasury notes will be redeemable in money at each of the 12 banks and at the Treasury, while the requirement that the notes shall be payable to the Government and to any bank for deposit purposes will be tantamount to a quasi-redemption at every point where banking is carried on. In order to insure the prompt presentation of the notes for redemption, thereby avoiding danger that they may accumulate in the bank vaults, the bill refuses to authorize their use as reserve money by member banks, while of course they will be excluded from the reserves of Federal reserve banks.

Provision is also made whereby they will be prevented from accumulating in the Treasury or any of its subtreasuries even in small quantities. It is believed that these provisions will insure the prompt return of the notes, thereby producing genuine flexibility in the currency. The notes will be taken out whenever business paper eligible for presentation to Federal reserve banks for rediscount is created; and as such paper matures, is paid off, and shrinks in volume the basis for the notes will correspondingly shrink, and either the notes themselves or an equivalent amount of lawful money will be withdrawn from circulation. It is an undoubted feature of the measure as now drafted that it will furnish an ample mechanism for insuring the cancellation of the notes as well as for their issuance. While this process is going on, there will have been an active re-

demption of the notes, owing to the operation of the provisions for exchanging them for money already sketched.

USE OF GOVERNMENT FUNDS.

One feature of the proposals for legislation contained in the committee's bill is the recommendation that the funds of the Government of the United States received by it as a result of current business transactions and heretofore held in the Treasury shall thenceforward be deposited with the Federal reserve banks, the latter institutions to act as fiscal agents for the Government in all of its transactions thenceforward. This recommendation is of fundamental importance. The Independent Treasury system of the United States under which the Treasury Department now carries on its operations dates from 1846 and is the result of the legislation then urged and adopted for the purpose of putting the country upon a so-called hard-money basis. Whatever may be thought of the idea of actual specie payments and of segregation of Government cash, both when it comes into and when it goes out of the Department of the Treasury, experience has shown that the system is not feasible. It was necessary to suspend the Independent Treasury system, practically speaking, when the Civil War broke out; and upon every subsequent occasion of stress or difficulty in the market a repetition of this suspension has become practically unavoidable. It has been necessary on those occasions to redeposit the funds of the Government in banks in order that the commercial community need not be deprived of the use of them even for a short time. At times it has been found expedient, if not absolutely necessary, to temporize with the law and with the technical requirements of the Treasury system, and practically to abandon the plan of requiring cash payments even when that was theoretically lived up to—this again in order to avoid any withdrawal of urgently needed funds from the business community.

In normal times the withdrawal of these funds has, of course, been far less noticeable in its influence upon the business world, although at all times it has been a fact that the withdrawals did disturb in a measure the natural balance and distribution of funds between different parts of the country and did thereby tend to embarrass some parts of the country much more than others, owing to the fact that withdrawals of cash due to the payment of taxes were neither identical in amount nor proportionate in importance in these several sections. The inadequacy of the Independent Treasury system and of the present method of making public deposits has indeed been fully recognized by Congress when it provided that all such deposits in banks should be made only upon security of United States bonds, a requirement which means, if it means anything, that the banks called national and under congressional supervision, although deemed safe enough for the use of the public, are not safe enough to serve as depositaries of public funds—a situation which, if actually what it seems to be, is both ridiculous and disgraceful. This condition of affairs would, however, be greatly aggravated and would become even more anomalous if Congress were to authorize the creation of a new set of banks intrusted with the power of holding reserves and acting as the intermediaries through which a new currency is issued, yet unable to be trusted as custodians of Gov-

ernment funds. Both for economic reasons and because of considerations of the logic and dignity of the situation, it is desirable to have the current receipts of the Government deposited in the new banks and its disbursements made by drawing upon these institutions. The Treasury is in no way interfered with by this process save in so far as it is relieved of some routine duty. It is left to manage the fiscal affairs of the Government in precisely the way that is now practiced, but the actual funds are placed with the Federal reserve banks, where they will continue to be available for the banking needs of the community which created them and which is responsible for the solvency and activity of the business processes that afford the basis of taxation and thereby supply the fundamental resources of the public Treasury.

BENEFIT FROM DEPOSITS.

Too much can not be said of the benefit that will be derived from the continuous depositing and withdrawing of public moneys through the Federal reserve banks, as compared with the present artificial system of periodically contracting currency through heavy withdrawals due to large payments for customs and internal revenue and of periodically expanding the currency through deposits in the banks, which, however wisely selected, can never restore the funds to exactly the same channels from which they were drawn. A very large share of responsibility for the past panics and crises of the United States must undoubtedly be assigned to the Treasury system which has been responsible for this sporadic and spasmodic movement of funds. In unskilled or selfish hands, the power thus bestowed upon the executive branch of the Government may be, as it has at times become, most dangerous to the public welfare, while it is always a source of grave responsibility and danger scarcely to be overestimated in its importance. The usual consideration against placing Government funds in the banks has been that by so doing certain banks were favored at the expense of others while the Government was deprived of its legitimate return upon the moneys that it furnished. Under the proposed plan, no such danger exists. Power is given to the Federal reserve board and to the Secretary of the Treasury, jointly, to establish a rate of interest upon public deposits, thereby rendering it possible for the Government, if it chooses, to assure itself a fair adequate return for its funds from the very time that they are placed in the banks. Under the section of the proposed bill which provides for a distribution of earnings the Government of the United States is given 60 per cent of all net income after the banks have received 5 per cent upon their invested capital. The Government is therefore in position to get its full and due return for every dollar that it places in the hands of the banks, while the community has the use of the money thus left subject to the disposal of trade and commerce according to their necessities. This is as it should be, since it amply protects the Government, safeguards the public interest, and assures the returns of the profits from the use of the funds to the Government after the banks have received the fair going rate of return for carrying on their business and performing the routine operations connected with their duties as fiscal agents of the Treasury.

There is another aspect of this Treasury deposit system that deserves mention in this connection. The bill provides for the depositing of funds not in any one bank, and not in accordance with any system that would place the moneys in any particular group of banks, but for the depositing of the funds in such banks as from time to time may be deemed wise, having due regard to an equitable distribution of these moneys among the different sections of the country. The power is, however, retained to make redistribution whenever deemed best, and this means that the provision is important as an adjunct to the power of the Federal reserve board over rediscounts and rates of interest as well as over reserves.

EQUALIZING RESERVE FUNDS.

It is evident that the Federal reserve board and the Secretary of the Treasury could, by shifting the deposits of the Government from place to place as occasion demanded, meet conditions of stringency and difficulty in the market, or furnish exchange funds as occasion appeared to require. The power would naturally be exerted before any resort was had to any method of interfering with the loans of the banks or with their reserves, and would of course be far more satisfactory as a means of equalizing resources than the exercise of the compulsory rediscount power. What has been done by various Secretaries of the Treasury in times past, and has been successfully done, toward the readjustment of banking accommodation, by the making and withdrawal of public deposits in different parts of the country, with comparatively meager funds, under the present Treasury system, gives a faint suggestion of what might be accomplished in the way just indicated. We have stated that in our judgment the use of the Treasury funds for deposit purposes in the manner referred to has never been desirable and has frequently resulted in leading, through long-continued employment, to panic or to artificial and injurious conditions of various kinds. What has just been said does not in the least weaken the force of the general observation thus restated. The harm resulting from past efforts of this kind has arisen primarily from the fact that they were necessarily carried out without intimate knowledge of or close association with the banking mechanism of the country.

The evil which came from these efforts was due to the lack of adaptation to existing conditions. Under the proposed plan the funds of the Government will never be removed from the uses of the commercial community, but they will continue in the general regions of the country where they originated, while those who are to be charged with the duty of overseeing the management of Government funds will have at their disposal the information that is needed to enable them to readjust deposits or to grant temporary relief through the shifting of Government resources should conditions suddenly require action of that kind. The situation will not only be such as will put an end to the vicious and wholly artificial state of things existing under the present type of Treasury organization, but will substitute for it a helpful system whereby definite governmental authority, closely informed concerning banking conditions and constantly in touch with the development of credit in all parts of the

country will be in control of an enormous mass of fluid resources which it can transfer by normal methods through the ordinary channels of trade from one part of the country to another, as conditions warrant; or, better still, can direct the flow of this mass of resources now here and now there, as circumstances call for it. The process will be conducted with knowledge of the highest order and will be free of the difficulties which have heretofore beset the making of Treasury deposits. It will be similar in operation to the function that is performed by the central banking institutions of foreign countries and will be carried out by exactly similar methods save that, because the authorities in charge of it are not hampered by commercial motives and are not interested more in one part of the country than in another, they will be able to do the work without any of the interfering considerations of private profit which frequently prevent the operations of a central banking institution from being carried on solely in the public interest. In the best sense of the word, the Government will be completely "out of the banking business" and in the best and proper sense of the word it will be in that business, neither under the necessity of interfering with normal trade operations nor of artificially interposing to bolster up weak banks in any part of the country.

BANKING FACILITIES FOR FOREIGN TRADE.

It has long been a ground of complaint that the national banking system provided no adequate means for the establishment of American banks in foreign countries. This criticism has had some warrant, and in view of the rapidly expanding foreign trade of the United States it is deemed wise to make proper provision for banking machinery in foreign countries which shall be closely controlled by home institutions. The bill proposed by the National Monetary Commission sought to accomplish this end by providing for the creation of a special type of institutions to be organized by national banks as stockholders and to engage in operations abroad. The committee is of the opinion that no such elaborate mechanism is necessary, but that every good purpose of the monetary commission plan can be attained by the adoption of the plan it has proposed, which consists essentially of provision for the establishment of foreign branches by existing national banks when such banks have an adequate capital for the kind of work in which they propose to engage and are found by the Federal reserve board to be in proper condition for undertaking such an enterprise. The proposed plan is simple and, it is believed, sufficiently effective for the purpose. Under it national banking institutions will be in position to create branch offices at such foreign points as they may deem best, assigning to them a due share of capital and conducting their affairs separate from those of the home office in order that there may be no difficulty in ascertaining at any moment the distribution of the business of the institution. It is believed that with the extension of national-bank powers which is provided for in the present act, such branches of national banks would be amply able to meet the requirements of their clientele wherever it might be necessary for them to operate.

EXAMINATIONS OF NATIONAL BANKS.

For some years the national banking act has been found to be seriously defective in its provisions for examinations. In attempting the organization of a more closely woven system of banking the committee therefore feels impelled to urge the necessity of stiffening existing examination requirements, while it also feels the imperative character of the demand for careful examinations of Federal reserve banks. In order to fulfill all the requirements of the case it therefore has included in the proposed measure a considerable extension of the examination function, dividing this between the Comptroller of the Currency, the proposed Federal reserve board, and the Federal reserve banks themselves. The committee is of the opinion that the authority to institute bank examination should be lodged with every part of the banking organization competent and trustworthy enough to exercise it, not because, as some have asserted, it is desired to have bank examinations constantly in progress, and not because of any belief that such examinations would be in fact much more frequent than they now are, but because it is believed that the exercise of the power to examine whenever necessary is essentially a fundamental and desirable power, and one whose exercise, if judiciously carried out, will result in the early detecting of dangerous conditions and their correction before they have reached a desperate stage. It is believed, moreover, that the provisions with reference to bank examinations, if properly carried out, will largely if not wholly obviate any necessity for the clearing-house examinations, which are carried on at the present time in behalf of associations of banks and of which there has been more or less complaint on the ground, however unjustified, that such examinations were unfairly carried on or were in some way used for the benefit of individual banks or bankers. That such charges have frequently been unjustified is undoubtedly true, but it is believed that the new system of placing all such examinations under authorized control and supervision will eliminate many possibilities of criticism or attack that lurk in the present system and may at times give rise to prejudice and specious assertions of favoritism.

DETAILED REVIEW OF BILL.

Having thus examined in outline the principal considerations which have led to the formulation of the proposed bill and the chief ideas that have dictated the form that has actually been given to it, it is now desirable to examine the terms of the proposed measure in detail.

SECTION 1.

Section 1 creates a short title which may be used for convenience, sake in the future in referring to the act. It needs no further discussion.

SECTION 2.

Section 2 provides for the districting of the country and for the organization of a reserve bank in each such district. These two topics may be discussed separately, it being prefaced that the purpose of the proposed bill is to substitute for the national currency

associations of the Aldrich-Vreeland law a series of reserve banks to be organized in independent districts and to do in a better and more continuous way the services which had been expected of the currency associations themselves.

It has been explained at an earlier point that the purpose of any thorough banking legislation must necessarily be the creation of a means for rediscounting existing paper and for furnishing either a bank credit or an elastic and reliable bank-note issue as the medium by which such discounts may be afforded. Without going more into the theory of this proposition, already thoroughly well covered, it may be stated that the medium through which the present bill proposes to attain these ends is the organization of a reserve bank to be entitled a "Federal reserve bank" in each one of the Federal reserve districts to be established as provided in section 2. In briefest terms, then the reserve bank in each district will do for existing banks what an ordinary bank does for its customers; that is to say, it will hold their surplus funds, furnish them loans, offset their payments and receipts, and supply them with the means of making remittances. In broad theory there will be no difference between the services performed by the reserve banks or bank and those performed by the existing banks for individual customers. Unless it be true that the reserve banks are granted some special privilege or relationship to the Government there will be no reason why they should not be organized upon the same basis and for same general purposes as existing banks. Indeed, with one or two minor modifications of existing law they could be so organized under the present national bank act. It is to be noted that some national banks now organized and doing business in the larger cities perform in a measure very much the same functions for smaller banks which do business with them that it is now proposed to have the reserve banks to be organized under this act do for the banks that are to be their constituent stockholders. The existing banks which perform this function do it for profit, and when opportunity offers make exorbitant returns for themselves on the transactions they enter into. The proposed reserve banks are to be cooperative institutions, rendering their service for the good of all the banks that are stockholders in them, as well as for that of the public, while the Government is to get the excess profits of the institutions. The detailed functions of the reserve banks can be best brought out in connection with subsequent sections, where they are dealt with more elaborately.

It is evident that before the different banks can be organized and placed it must be decided where they are to be placed and how large are to be the districts in which they shall operate. For reasons which are already partly apparent and will be made more so as the discussion goes on, one such bank in a district is all that is needed or could profitably or properly be organized there. This necessitates care in choosing the locations and fixing the size of the districts. Two fundamental considerations are sought in performing this work.

1. To provide each section of the country that constitutes a geographical and business unit with a reserve bank to serve its local banks and hold their reserves, making the districts sufficiently numerous to enable each such section to feel that its wants are met by its own local reserve institution under its own control. At the same time it is recognized that the districts should not be made so small

as to cut the capital of the reserve institutions to a figure that would make them weak.

2. To see to it that reserve banks are given a capitalization that will enable them to do what they are designed to do and are so situated as to avoid any shock to business enterprise resulting from the shifting of bank reserves from existing banks to the new reserve banks in the way outlined in the present bill.

It is believed that the fixing of the exact number of banks and the delimination of the districts are points that can only be exactly met after careful investigation by a properly qualified body appointed for that purpose. It has, however, been thought wise to fix the minimum number of such banks to be established in order that in passing the law the community may be assured of adequate provision for its needs. It is proper to say frankly that much difference of opinion as to the number of such banks has been expressed, some placing the desired number as high as 50, others as low as 3. Those who advocate the larger number think that there should be one such bank in practically every reserve city, on the ground that the reserve cities of the present day owe their existence to a definite need which has resulted in their establishment, and that this need ought to be recognized under such legislation as may be passed. Those who advocate the smaller number think that the banks should be created in central reserve cities only. They say that these central reserve cities are now the ultimate holders of reserves and that if they alone had the reserve banks proposed to be organized under this act there would be very little friction or difficulty in passing from the existing régime to the proposed plan.

The Committee on Banking and Currency finds itself unable to side with either of these groups of thinkers. It believes that the number of reserve banks to be created ought to be large enough to meet the reasonable needs of the country and should not be so small as to play into the hands of those who want to establish a very high degree of centralization. It also thinks that the reserve banks should be few enough in number to make them really independent institutions, likely to look to one another for aid only under emergency conditions, and hence not in danger of being controlled by other reserve banks. It has therefore fixed the minimum number of reserve banks at 12. This number has however not been arrived at from theoretical considerations solely, but also as a result of the following data:

1. The committee has asked a considerable number of bankers their views as to the proper number of such institutions. Many of these bankers were questioned during the hearings of last winter. Among them were Messrs. A. B. Hepburn, who thought that if such a plan were adopted the number should be one in each clearing-house district (hearings, p. 10); Sol. Wexler, who thought that the number should be about 15 (hearings, p. 623); Victor Morawetz, who fixed the number at 1 in each clearing-house district (hearings, p. 48); Sir Edmund Walker, who thought the number might run as high as 20 (hearings, p. 666); and others. Mr. J. V. Farwell, a well-known merchant of Chicago, suggested 5 to 7 as the number (hearings, p. 452).

2. Experience under the Aldrich-Vreeland law has resulted in the organization of 18 currency associations.

3. The Aldrich bill, so called, or National Monetary Commission bill, provided for a central reserve association with 15 branches or 16 banking institutions, open to the banking public, in all.

4. Examination of the present bank capital of the country shows that the number of banks on the basis of capital contribution could not well be in excess of 12 or 15 if the capitalization of the reserve banks themselves was to be sufficiently strong to make them effective. Assuming that the total capital of the national banks to-day is somewhat over $1,000,000,000, and assuming further that State banks possessing a capitalization of one-half that amount were admitted to the proposed institutions, it might be estimated that these Federal reserve banks would be owned by banks with an aggregate capitalization of $1,500,000,000. It will be shown later in the present discussion that the capitalization contribution to be exacted of each bank is 10 per cent of its present capital. That would make a total capitalization for the proposed reserve institutions of $150,000,000. Assuming that this amount was contributed and that there were 12 such institutions, their average capitalization would be $12,500,000, which is believed to be ample to meet the needs of the communities represented. If it should be roughly assumed that one-third of the proposed banks would be near the lower limit of $5,000,000 capitalization, this might mean five reserve banks with a gross capitalization of $25,000,000; five reserve banks with an average capitalization of, say, $7,500,000 and a gross of about $37,500,000, so that there would be left five with a gross capitalization of $87,500,000, or an average of $17,500,000. It is probable that as New York City already possesses two banks of $25,000,000 capital each, while her banking resources are very large otherwise, the bank of the New York district might be given a capitalization of $30,000,000 or $35,000,000, in which case the other four banks belonging to the group of large institutions might have an average capitalization of $13,000,000 apiece. These figures are all purely tentative and are merely intended to represent the way in which the districting might operate. Further attention can be given to the subject of districting and its effect upon the banks in connection with the study of the reserve section of the bill, which will be taken up somewhat later in this discussion. It is undoubtedly true that the proposal to create as many as 12 reserve banks will receive very sharp criticism from banking interests which are desirous that there shall be as high a degree of centralization as possible in the new system, while it is also thought probable that the proposed number will be sharply attacked by others who think that the 12 is by no means enough to give all portions of the country a chance to be fairly represented and adequately heard in connection with the rediscounting of paper. The figure fixed has, however, been the result of careful study and the committee feels entire confidence in its approximate correctness. It recognizes that in the future as the country grows there will be need of an increasing number of reserve banks, and therefore the power is given to create more such banks in the future as occasion requires.

Inasmuch as no machinery is in existence for the creation of such banks, and inasmuch as the process of districting the country can not be described in any hard and fast manner, it has been deemed best to

leave this analysis of business conditions for which there are at present no adequate statistics within reach, to a committee including the Secretary of the Treasury, the Attorney General, and the Comptroller of the Currency. In order that they may do their work correctly and successfully it will be necessary for them to ascertain with care the business connections of each of the principal cities of the country in order that the districts in which such cities are located may be properly shaped in a way that will not alter the present course of exchange and interbank remittances. The task thus prescribed may be one of some considerable length, and therefore it has been deemed best to leave the establishment of the details and the fixing of dates for organization to the judgment of the committee in question, subject only to the provision that in general it shall be completed within a reasonable time. Inasmuch as the work of making the distribution and apportionment of banks by districts will involve some expense, it is proposed to assign a moderate sum to cover the cost of travel, employment of expert assistance, etc.

SECTION 3.

Section 3 relates to stock issues, and divides the share capital into shares of $100. This unit is adopted because it corresponds to the unit of share capital in the national banking system, and is therefore an easy basis for computation of the share capital which a given bank will be required under the act to take out. The fact that it has been determined to have the share capital of the Federal reserve banks bear a fixed relationship to and be subscribed by the existing banks of the country make it necessary to provide some means of recognizing the growth of the system or its shrinkage, as the case may be. The second clause of section 3, therefore, calls for the increase of the capital stock of the Federal reserve bank according as the amount of capital in the system increases and is decreased by a converse process. This means that no Federal reserve bank would ever have a fixed capital, since that capital might easily change almost from day to day. The fact remains that the capital would be a fixed percentage of that held by the member banks, while in view of the later provisions of the act it is believed that the amount of this capital could be easily ascertained at any moment and the payments to withdrawing banks be made without any serious difficulty.

A second feature of section 3 is the provision that each Federal reserve bank may establish branch offices subject to the regulations of the Federal reserve board not to exceed one for each $500,000 capital of the stock of each Federal reserve bank. After due study it has been required that such branches should be established only in the district in which the Federal reserve bank is located. Branches of different Federal reserve banks will, therefore, not compete with one another, but will be simply offices established for the convenience of the member banks, facilitating their relations with the Federal reserve bank in which they are stockholders. The question may fairly be raised whether a Federal reserve bank should be allowed to establish one office in each of the other Federal reserve districts should it so desire, but after due consideration it has not been deemed desirable to permit such an extension of the power to create branches.

SECTION 4.

Section 4 provides for the incorporation and organization of the Federal reserve banks under the conditions already outlined in the preceding section. Fundamentally the purpose of the section is to authorize the incorporation of such a reserve bank in each district with powers precisely analogous to those of national banks except in so far as altered by the act itself. The organization, officers, and the like of the reserve banks will under the terms of this section be the same as those of the national institutions. There is no reason why any important distinction as to type of organization should be drawn or exist between the typical reserve bank and the typical national bank. This is worthy of special note because of the claim that Federal reserve agents, whose functions will presently be described, would practically be the active managers of the reserve banks. They would in fact be chairmen of the boards of directors, but as in the case of national banks such a chairmanship might be more or less active, according as the bank itself chose to determine.

The first clause of section 4 provides that a "sufficient number" of banks having made and filed with the comptroller a certificate, etc., shall thereupon be organized. As was provided in section 2, the minimum capital of a reserve bank is to be $5,000,000, so that the sufficient number referred to would mean in practice banks having a joint capitalization of at least $50,000,000. The sections of the national banking act referred to as defining the powers of the banks in question are those which state generally the limitations upon the functions of national banks and the rights and authority vested in them. The final provision of the first paragraph of the section giving to the Federal reserve bank a charter life of 20 years is the same as the corresponding provision of the national bank act. The power of Congress to dissolve the bank at an earlier date if desired is likewise identical with the power reserved to Congress in the case of national banks.

In dealing with the organization of the reserve banks the bill proposed by the committee has sought in section 4 to furnish a democratic representation of the several institutions which are members and stockholders of a reserve bank. To this end, the directorate is divided into three classes, each consisting of three members, while the stockholder banks are similarly divided into three groups or classes. The bill provides that the election of one member of class A and one member of class B shall be intrusted to each one of the groups into which the stockholding banks are subdivided. As it is required that each of the banking groups thus created shall contain approximately one-third of the number of banks in the district, it is clear that the banks comprising one-third of such capitalization would have a representative of their own in class A and also in class B. It might well be that the one-third in any given district would include a very small number of banks and that the director in question would thus be the representative of but few institutions. This, however, is deemed far better than to permit of the general choice of directors by all banks voting indiscriminately, it being the belief of the committee that by the method proposed each group of banks will preserve its autonomy and secure due hearing on the board of directors.

SECTION 5.

Section 5 deals entirely with the method of increasing and decreasing the capital stock of Federal reserve banks and the effect thereon of corresponding changes in the stock of member banks. The general purpose is to require member banks to pay additional pro rata subscriptions as they increase their capital stock and to permit them to withdraw capital subscriptions in the same manner as they reduce their capital; or, in case they go out of business entirely through failure or liquidation to permit them to withdraw the cash paid in, assuming, of course, that there has been no loss sufficient to impair the capital of the reserve bank. Should such a loss occur the reserve bank would presumably have called sufficient of the unpaid subscriptions to restore its capital to the original amount, in which case the withdrawal of a sum equal to the original cash paid subscription would simply give the bank what it put in in the first place, the loss meanwhile having been borne by its contribution made on call. The prohibition upon the transfer or hypothecation of shares in a Federal reserve bank is, of course, necessary in order to prevent the reserve bank from ceasing to be a democratic organization composed of members contributing in a like pro rata proportion of their actual available cash resources. Any other plan might result in the concentration of share ownership in a few hands. The intent of the bill is to have all banks vote alike at elections and as a preliminary requirement to enforce the retention of equal percentage of capital by each in the business of Federal reserve banks.

SECTION 6.

Section 6 is complementary to section 5 and merely provides for the treatment of the stock of Federal reserve banks belonging to member banks which become insolvent. The fundamental idea in it is that of intrusting the Federal reserve bank with the function in the case of a failure of deducting from the original amount of the failed bank's subscriptions any debts or claims due from said insolvent bank to the reserve bank and paying the rest to the receiver of the failed bank. This, in effect, gives the reserve bank a prior lien upon the assets of a failed member bank up to the amount of its cash-paid subscription which of course is a carrying out of the principle involved in requiring the member banks to subscribe 20 per cent, although they pay up but 10 per cent of their cash capital as a contribution to the stock of the Federal reserve bank of which they are members.

SECTION 7.

In section 7 it is provided that the division of earnings of Federal reserve banks shall be such as to give to the Government a due share of the proceeds of the banking operation after what is considered a fair remuneration for Federal reserve banks themselves has been provided. It is also sought to devote the share of earnings going to the Government to the reduction of the public debt. In general, the process of dividing the earnings is divisible into three stages under this section:

(*a*) The first step in the process of dividing the proceeds of the banking operation is that of giving to the subscribing banks which

own the stock of the Federal reserve banks a due return for the use of their funds. This, after due consideration, has been fixed at 5 per cent—a rate of dividend which, however, is to be cumulative. This should not be confused, as has been done by some critics of the proposed bill, with a rate of 5 per cent from the capital of the banks. The banks, of course, will not set aside a part of their capital for this subscription but will devote a part of their current funds to it. The real question then is whether the rate of 5 per cent represents about the normal rate of return from current bank investments. Considering the high character of the security offered we are of the opinion that it does do so.

(*b*) The second step in disposing of the earnings is that of the accumulation of the surplus. While it is not supposed that the Federal reserve banks will incur severe losses, on account of their conservative nature and the auspices under which they are to be carried on, it is believed that the accumulation of a surplus to furnish an increased source of banking capital for the reserve banks, and so far as practicable to obviate any necessity of calling for any of the unpaid balances of the original capital subscriptions is highly desirable. One half of all net earnings after attending to the claims of the 5 per cent cumulative dividend is therefore to be devoted to the surplus until the said surplus amounts to 20 per cent of the capital of the bank. The remaining one-half is to be divided in the proportion of three-fifths to the Government and two-fifths to the bank's stockholders in the ratio of their average balances with the Federal reserve bank for the preceding year. It will be observed that this introduces a new principle of distribution of earnings not based upon relative ownership of capital stock. More will be said of this point very shortly.

(*c*) The third and final step in disposing of the earnings relates to the distribution after surplus has been fully provided for. Section 7 would give three-fifths of all earnings after the surplus is taken care of to the Government and two-fifths to the member banks in proportion to their annual average balances as before.

It is worth while to consider with some care what this plan of distribution would signify. Assume for the sake of argument that the rate of earning of the Federal reserve banks is about identical with that reported by the comptroller for the national banks of the country, or, roughly, 9 per cent. Taking 9 per cent as the figure, this would mean that with a total capital of $100,000,000 the earnings for the first year would be $9,000,000. Of this sum, $5,000,000 would be required for the dividend requirements. This would leave $4,000,000, of which $2,000,000 would be carried to surplus and the remaining $2,000,000 would be divided as aforesaid in the proportion of $1,200,000 for the Government and $800,000 for the stockholding banks. It is, of course, impossible to state exactly how the division between the stockholding banks would finally turn out, since it can not be definitely stated what balances they would carry with the reserve banks.

THE GOVERNMENT'S SHARE.

It has frequently been asked why the Government should be allowed to share in the earnings of Federal reserve banks at all. There are two reasons of conspicuous and obvious character why it should

do so: (1) It vests the Federal reserve banks with the sole and exclusive function of note lending, from which all other banks are debarred; (2) it places the public funds with the Federal reserve banks to an amount certainly vastly larger than that of any other depositor and equal to the combined deposits of large groups of banks. The distribution of earnings upon the basis of deposit balances would give to the Government a large share of the profits in any case and when the present national-bank notes shall have been replaced by Federal reserve notes it is obvious that the function of note issue will result in a large volume of earnings which the Federal reserve banks could not enjoy were they to share this power with other banking institutions. To a substantial share in this earning, leaving for the reserve banks only a fair compensation for their services in taking out the notes, the public is evidently entitled.

The provision that the earnings of Federal reserve banks in so far as paid to the Government shall be regularly devoted to the reduction of the bonded indebtedness of the United States is manifestly a proper use of the income in view of the fact that the Government has incurred an additional interest charge upon its outstanding bonds for the purpose of persuading the banks to surrender their twos from time to time or at the end of 20 years for the purpose of converting the twos. By gradually applying the earnings received by the Government to the reduction of the outstanding bonds, selecting those that are available for circulation, it will be possible to maintain a moderate market demand for the bonds and at the same time to effect a gradual reduction of the outstanding indebtedness as well as, of course, a corresponding reduction of interest charges thereon.

Attention should also be given to the provision exempting Federal reserve banks and the stock held therein by member banks from all classes of taxation, save such taxation as may be imposed upon the real estate held by these banks. In view of the increasing burden of taxation and of the Federal income-tax law, which now furnishes an additional draft upon net earnings, this exemption is likely to prove of material importance, since it amounts to an exemption of a corresponding proportion of the funds of member banks from the payment of taxes to which they would otherwise be subjected.

SECTION 8.

The essential features of section 8 are:

1. The grant of a year's time within which existing national banks may make up their minds whether or not to take out stock in Federal reserve banks under the provisions of the proposed bill; and

2. The provision that in the event of an adverse decision on this subject such national banks as may reach a decision of that character shall be dissolved the remedies now provided by law against such a dissolved bank shall not be impaired.

This in effect means that every national bank now in existence must within a year either (*a*) take out stock in a Federal reserve bank, (*b*) become a State bank under State laws, or (*c*) leave the business entirely. It is evident that any measure of legislation which imposes substantial responsibilities and burdens upon banks will be opposed by some of them, and that unless they are required to assume their duties to the community, they will if they are permitted to make

a voluntary choice between their present condition and that proposed for them, elect to continue as at present. No matter how advantageous a plan proposed by Congress might be, many banks would refuse to go into it out of sheer inertia. This was the condition of affairs found by experience to exist at the time when the national banking act was first adopted, and it will be repeated to-day if the whole matter of assuming the new responsibilities prescribed by law is left optional with the banks. In view of the fact that the banks have their own remedy in their own hands, in that they may recharter under State laws if they desire, the measure recommended in section 8 is deemed entirely proper, not to say indispensable. The committee does not believe that it is the province of Congress to bribe or induce the banks to enter the new system, but rather to lay down equitable conditions and then to require their acceptance.

QUESTION OF "COMPULSION."

Much has been said by opponents of the proposed bill with reference to the question of what they call "compulsion." By this is meant the requirement of the bill that national banks shall subscribe to the stock of the Federal reserve banks of the districts in which they are situated, or if they do not choose to do so shall leave the national banking system by surrendering their charters. A few persons have been disposed to contend that there was some illegality or "unconstitutionality" in this section of the measure—a claim which is readily dispelled by referring to existing legislation bearing upon the power of Congress regarding the amendment or repeal of corporate charters. Those who complain of this provision, however, need not be dealt with simply upon technical legal grounds, as the subject has a very much broader bearing, and we believe that there is no one who would wish to visit any hardship or injustice to the banks simply because Congress was within its legal rights in so doing. The general considerations which make it entirely warrantable for Congress to impose certain burdens upon banking institutions as conditions precedent to the grant of national charters to such institutions are quite evident. They appear in all of the various more or less stringent and onerous conditions laid down in the national-bank act for the guidance of the conduct of banking associations. They are also seen in the restrictions imposed by practically all foreign Governments upon the conduct of the banking institutions under their jurisdiction.

The Government, in granting to such banks the power and privilege to operate under the protection and with the prestige of charters emanating from itself, naturally is authorized to make these privileges contingent upon the acceptance of such conditions as it may deem best. Nor is the argument solely to be rested upon these considerations. The proposed bill will ultimately place the banks of the country upon a far more liberal basis than that accorded to them by existing law. This may be demonstrated, among other methods, in the following way: By the terms of the national banking act banks must, in order to become national banks, purchase and deposit with the Treasurer of the United States Government bonds as security for circulation. This requirement is nominally 25 per cent of capitalization for banks up to $150,000 capital and $50,000 for all above that level. In reality

the requirement is much stronger than this, inasmuch as no notes can be taken out without a deposit of Government bonds behind them. Inasmuch as the supplying of notes is absolutely necessary if the banks are to meet the needs of their customers even in a moderate degree, the proper measure of the burden imposed on them by this requirement is the volume of the bonds that they have purchased. As is shown elsewhere in the present report, this volume of bonds is now something like $750,000,000, or very nearly three-quarters of the capital stock of the banks. The proposed bill arranges for releasing the banks from this required investment and substitutes in lieu of it a required investment equal to 10 per cent of their capital (paid up), or not to exceed $105,000,000. This is one-seventh of the amount now invested in bonds. Inasmuch as the proposed bill allows the conversion of existing 2 per cent bonds into threes at the rate of 5 per cent per annum, while it gives the banks a year within which to enter the proposed reserve banks as stockholders, it is evident that within one year from the latest date set for the subscriptions to the capital stock a bank owning bonds equal to capital would have been able to obtain through conversion and sale of its securities an amount equal to the required investment in capital.

The answer may be made to this statement that the earnings upon the investment in bank stock are unreasonably and unnecessarily small. How much they will be is of course a matter of opinion, since no one can predict the actual profits of the Federal reserve banks. It is, however, worthy of note that even if the earnings were only 5 per cent they would be in excess of the estimated earnings derived from national bank-note issues, which have been notoriously unprofitable for a good while. The banks receive the 2 per cent on their bond investment and the current rate of interest on their notes (provided they can keep them in circulation), but they are obliged to bear the expenses of engraving and printing, redemption, etc., so that it has long been axiomatic that the profits on bank-note circulation were very small—so small that many banks have taken out few notes, some even holding their required minimum of bonds without taking out any currency. From this showing it is evident that the idea of "compulsion," instead of being a novelty is a very old one, as well as one that is widely accepted among civilized countries to-day, while the severity and degree of the compulsion as to the use of the bank's current funds entailed by the proposed bill is very much less than that involved in the provisions of the present national bank act. There is in fact no reasonable basis for the complaint with regard to compulsion. National banks after the passage of the proposed bill will be freer, more able to dispose of their funds as they choose, and far less subject to serious interference with their legitimate use of resources than they are to-day.

SECTION 9.

Section 9 is a general permission to any State bank to become a national bank and thereby to become eligible upon the same terms as national banks for membership in a Federal reserve bank as a stockholder. The provisions follow substantially the lines now laid down in the national banking act with reference to the conversion of State banks into national institutions and need no considerable

comment, being repeated here for the sake of making plain the conditions under which such conversion may occur subsequent to the passage of this act, that there may be no reasonable doubt in regard to the matter, and that it may be certain under precisely what terms and conditions State banks may make the transfer required.

SECTION 10.

After much examination of the subject, it has been deemed best by the committee to permit State banks to become members, i. e., stockholders in Federal reserve banks, without themselves becoming national banks. This concession has been determined upon partly from the standpoint of the banks themselves and partly from that of the new system. The success of the new system would be very largely influenced by its extent and scope. If it becomes practically inclusive of all the banks of the country that are in strong condition, its opportunity for service will be much greater than it could otherwise be. On the other hand, the committee has doubted whether, from the standpoint of the banks themselves, it would be acting fairly were it to debar them from membership in the new concerns.

It has been plain, however, that inasmuch as State banks are organized under different codes of legislation it would be unfair to permit banks to become stockholders in the reserve banks and to enjoy the advantages open to national banks which are stockholders unless such banks were subject to practically as high a standard of banking requirement as the national banks with which they compete. It has been felt that the particulars in which greatest care should be exercised on this score are (*a*) capital and (*b*) reserves. The fundamental idea of section 10 is to require compliance with the terms of the bill and of the national banking act as a condition antecedent to the holding stock in a reserve bank by any State bank. This does not altogether place the State banks upon the same basis as the national, inasmuch as they are not thus subjected to the same regulations with respect to investments and general business. It is believed, however, that the principal requirements will thus be met and that the provisions of the section are about as far as the measure can reasonably go with certainty of being held legal and at the same time of proving feasible and available in practice. As a necessary power in connection with this question of membership section 10 confers upon the Federal reserve board the power to establish by-laws for the general government of its conduct in acting upon applications made by State institutions, while it intrusts to the board the power to approve applications when proper or to suspend banking associations from membership when the provisions of the act are violated, and to secure the cancellation and retirement of their stock, returning the value thereof to the banks so suspended.

SECTION 11.

In this section provision has been made for the creation of a general board of control acting on behalf of the National Government for the purpose of overseeing the reserve banks and of adjusting the banking transactions of one portion of the country, as well as the

Government deposits therein, to those of other portions. The number of members of this board has been fixed at seven, after careful consideration of other possible memberships, and it has been determined that the board as thus made up should consist of two distinct elements, the one including three regular officers of the National Government, the other four specially appointed officers whose duty it should be to devote their whole time to the management of the affairs of the reserve banks and the performance of the duties assigned them under the present bill. The three officers chosen from the existing staff of the Federal Government are to be the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. It is evident that the Treasury Department not only is, but will continue to be, a fundamentally important factor in the financial organization of the country, while the Comptroller of the Currency, in charge as he is of the national banking system, will be a necessary adjunct in the management of the reserve bank system proposed in this bill. The causes for the selection of the two officers thus named are therefore self-evident. The Secretary of Agriculture has been added because of the belief that conditions in the producing regions of the country would deserve special consideration at the hands of the Federal reserve board, the Secretary of Agriculture being the natural representative of the interests of these sections, while it is further thought that the presence of a member on this board whose direct concerns are not primarily those of technical business or banking will be beneficial and will give the deliberations of the board a broader character than they would otherwise possess.

The four members chosen by the President for special service on the Federal reserve board will necessarily be intrusted with the heavier and routine duties pertaining to this board, the regular officers of the Government being naturally engaged in large degree in the discharge of their ordinary functions. It is therefore important to provide for the proper choice of the four officers thus called for. The committee has thought it wise that they should be assigned a tolerably long tenure, and has accordingly fixed that tenure at eight years, providing, however, that the first appointees shall be so distributed with respect to tenure of office as to bring about a rotation, so that all members of the board shall not change at any one time. In the second place, it has been deemed wise to provide that not more than two of these four members shall belong to the same political party. It can not be too emphatically stated that the committee regards the Federal reserve board as a distinctly nonpartisan organization whose functions are to be wholly divorced from politics. In order, however, to guard absolutely against any suspicion of political bias or one-sidedness, it has been deemed expedient to provide in the law against a preponderance of members of one party.

The provision that the President in making his selections shall so far as possible select them in order to represent the different geographical regions of the country has been inserted in very general language in order that, while it might not be minutely mandatory, it should be the expressed wish of the Congress that no undue preponderance should be allowed to any one portion of the Nation at the expense of other portions. The provision, however, does not bind the President to any slavish recognition of given geographical sections.

Finally, it has been thought wise to insert a provision that at least one of the four persons so chosen by the President shall be an experienced banker. This, of course, does not mean that other members of the board would be inexperienced in or ignorant of banking. On the contrary, the assumption is that they would not be chosen unless at least tolerably informed in the banking field, and that in all probability they would be not only experienced in banking but men of broad business knowledge and culture. This, however, is a matter that must necessarily be left to the appointive power, which not only should but must, in order to give good results, be vested with discretionary authority sufficient to enable it to make careful choice from among all of the best material available for such a board. It might easily be that a man of high business caliber, thoroughly desirable as a member of the board, would not have had a technical banking experience, notwithstanding that he might be well equipped for the work. The Comptrollers of the Currency in times past have not always been bankers in the technical sense, and some of the most efficient among them have had least technical experience in banking at the time when they assumed office. It is therefore believed safe to vest this whole matter in the hands of the President with large authority, believing that he will be able to use the same care and discrimination that he employs in choosing the Supreme Court of the United States. For obvious reasons it is considered wise that every member of the Federal reserve board designated by the President shall surrender any banking connections he may have had at the time of his nomination, and for equally obvious reasons it is deemed best that the board shall annually report to the House of Representatives, thereby establishing a direct relationship between the board and the Congress. The President is authorized to designate one of the four appointees as manager of the Federal reserve board and one as vice manager, this being deemed wiser than to throw upon so small a board the duty of selecting executive officers from among its own membership. In designating the Secretary of the Treasury as ex officio chairman of the Federal reserve board the bill aims to preserve the general concept of official responsibility and duty which is fundamental to the conception of this board. In ordinary times the Secretary of the Treasury's relation to the board would be largely formal. In times of stress or sudden danger he might become an active and effective working member of the board.

The final paragraph of section 11 is intended to make the Comptroller of the Currency in all respects answerable to the Federal reserve board, thereby giving this board the practical connection it needs with the national banks of the country which are under the direct supervision of the Comptroller of the Currency. This is believed to be desirable, inasmuch as the Comptroller of the Currency, although a member of the Federal reserve board by virtue of the earlier provisions of this section, might otherwise not be held to be answerable to the board in his official capacity as the chief of the national banking system. The paragraph referred to now makes him responsible to the "Secretary of the Treasury acting as the chairman of the Federal reserve board," which implies that the board would have power to instruct the comptroller upon all necessary matters, preferably through the chairman, whenever action affecting the national banks in those respects in which they are subject to the

oversight of the comptroller was called for. The proviso at the end of the paragraph in question, however, makes it evident that there is nothing in this grant of authority or in this imposition of responsibility to reduce the functions of the comptroller as at present understood or to render him less amenable than he now is to the Secretary of the Treasury, who is his chief under existing circumstances.

SECTION 12.

In this section are set forth the basic functions bestowed upon the Federal reserve board. These are not all the powers given to the board, it having been necessary to distribute various other minor grants of authority throughout the bill in the connections to which such grants of authority specifically relate. The provisions of section 12, however, cover sufficiently the fundamental authorities bestowed upon the reserve board. These may now be taken up in order:

(*a*) In paragraph (*a*) is given the authority to examine the affairs of each Federal reserve bank, to require statements and reports, and to publish a weekly showing of condition. This is substantially the same kind of authority which is to-day exercised by the Comptroller of the Currency with respect to national banks, except that it is more constant, close, and intimate as the different nature of the case requires. The powers thus bestowed are identical with those granted to the supervising boards in control of the central banks of Europe.

(*b*) In paragraph (*b*) is given to the board the authority (1) to permit or (2) to require one Federal reserve bank to rediscount the discounted prime paper of other reserve banks. Much has been said of this grant of authority and it therefore deserves careful analysis. In the first place, it is evident that this power is not different in nature from that which is exerted by the head office of a central bank possessing several branches. Such an office can transfer funds from one to another, and withdraw the service of one for the service of the others. It can, moreover, employ the resources of one portion of the country for the advantage of other portions or for the purpose of safeguarding them at critical times if its managers deem such actions to be wisest. Those, therefore, who favor the idea of a central bank with a single head office, favor it because it grants just this power to dispose of the resources of the one section for the benefit of another, and must in consequence find themselves logically driven to a recognition of the view that such authority to transfer funds and to mass them at points where weakness has been indicated is properly to be exerted in the interest of the public. In the proposed bill, the exercise of such a power is subjected to restrictions which would manifestly and unquestionably make its use sporadic and exceptional, in so far as it resulted from the exercise of a power to compel the rediscounting of paper by one Federal reserve bank for another. Section 12, in specific terms, explains that the power is to be exerted only "in time of emergency" and by a unanimous vote of the reserve board. It, moreover, imposes a penalty charge of from 1 to 3 per cent upon the grant of such an accommodation. The power is clearly much less than that which has been advocated by friends of the central bank idea, inasmuch as it suggests an exceptional or occasional resort to an expedient which would be the staple of everyday

business under a central banking plan, such as that proposed by the National Monetary Commission. The other side of the function—that of permitting Federal reserve banks to rediscount for one another—has also been objected to on the ground that such banks should be allowed to deal with one another freely if they choose. The committee does not concede this view, but believes that the banks should not thus be allowed to deal with one another except under oversight, in view of their distinct character as reserve holders.

(*c*) Paragraph (*c*) grants the Federal reserve board the power to suspend the reserve requirements of the act for designated periods if in its judgment such action may be deemed wise. There is nothing unusual or revolutionary in this requirement, it being in practice somewhat akin to the power granted the Comptroller of the Currency in section 5191, Revised Statutes, where he is practically able to permit national banks to go below their reserve for 30 days. In practice this power is constantly exercised by him subject to his judgment. The power is suggested by the process of "suspending the bank act" in England, and is a desirable administrative function in every case where a fixed reserve requirement is employed.

(*d*) The power to supervise and regulate the retirement of Federal reserve notes granted in this paragraph is of course a necessary concomitant to Government control of note issues, a matter to be discussed in detail in connection with the provisions for note issue.

(*e*) In paragraphs (*e*), (*f*), (*g*), (*h*), and (*i*) are conveyed powers which are largely self-explanatory and about which there can be little or no question, granting the general idea of effective Government oversight through a Federal reserve board or some similar organization.

In view of the fact that the Federal reserve board is vested with functions other than those formally enumerated in section 12, it may be worth while to list the chief powers conferred upon the board by the act as follows:

POWERS OF THE FEDERAL RESERVE BOARD.

To readjust districts created by the organization committee and create new ones, acting upon a joint application made by 10 of the national banks within an existing district.

To regulate the establishment of branches of Federal reserve banks within Federal reserve district in which bank is located.

To designate three (class C) of the nine members of the board of directors of each Federal reserve bank, one of these to be chairman of the board with the title of "Federal reserve agent."

The Federal reserve agent to maintain a local office of the Federal reserve board on the premises of the Federal reserve bank. He shall make regular reports to Federal reserve board and be its official representative.

To remove any director of class B (business men) if it should appear that he does not fairly represent the commercial, agricultural, or industrial interests of his district.

To remove chairman of Federal reserve bank without notice.

To establish by-laws governing applications from State banks and trust companies.

"Of the four persons * * * appointed (by the President), one shall be designated manager and one vice manager of the Federal reserve board." The manager, subject to supervision of the Secretary of the Treasury and board, shall be the active managing officer of the Federal reserve board.

To levy a semiannual assessment upon the Federal reserve banks for estimated expenses for succeeding six months, together with deficit carried forward.

To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and to require such statements and reports as it may deem necessary.

To require, or on application to permit, a Federal reserve bank to rediscount the paper of any other Federal reserve bank.

To suspend, for a period not exceeding 30 days (and to renew such suspension for periods not to exceed 15 days), any and every reserve requirement specified in this act.

To supervise and regulate the issue and retirement of Treasury notes to Federal reserve banks.

To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section 21 of this act, or to reclassify existing reserve or central reserve cities and to designate the banks therein situated as country banks, at its discretion.

To require the removal of officials of Federal reserve banks for incompetency, dereliction of duty, fraud, or deceit.

To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

To suspend the further operations of any Federal reserve bank and appoint a receiver therefor.

To perform the duties, functions, or services specified or implied in this act.

To determine or define (subject to stipulations) the character of paper eligible for discount for member banks.

To prescribe regulations for purchase and sale by Federal reserve banks of bankers' bills, etc.

To review and determine the minimum rate of discount established by Federal reserve banks.

To authorize establishment of branches of Federal reserve banks in foreign countries.

To authorize the issue of Federal reserve Treasury notes.

To receive, through the local Federal reserve agent, applications from Federal reserve banks for notes, such applications to be accompanied by rediscounted notes for deposit as collateral security.

To require Federal reserve bank to maintain deposit in money of 5 per cent of notes issued.

To grant in whole or in part or to reject entirely the application from Federal reserve bank for notes.

To establish rate of interest on notes issued.

To prescribe regulations for substitution of collateral.

To make and promulgate regulations governing the transfer of funds at par among Federal reserve banks.

To act, if desired, as clearing house for Federal reserve banks.

To require, in its discretion, Federal reserve banks to act as clearing houses for shareholding banks.

To prescribe regulations for the recall and redemption of all national-bank notes outstanding after 20 years.

To require extra examinations of national banks when deemed necessary.

To determine and report annually to Congress fixed salaries of all bank examiners.

To assess upon banks in proportion to assets or resources the expenses of examinations.

To fix a date for such assessment.

To arrange for special or periodical examinations of member banks for account of Federal reserve banks.

To receive from Federal reserve banks information concerning the condition of any national bank in its district.

To order examinations of national banks in reserve cities as often as necessary, not less than four times a year.

To add to the list of cities in which national banks shall not be permitted to loan on real estate as described.

To receive applications from national banks having $1,000,000 or more capital for the establishment of branches in foreign countries, to reject or accept such applications, and to prescribe conditions under which such branches may be opened.

To require examinations of foreign branches as it may deem best.

To regulate savings departments of national banks and to prescribe their investments.

SECTION 13.

Section 13 provides for the creation of a Federal advisory council which is to consist of as many members as there are Federal reserve districts, each such district electing through the board of directors of its Federal reserve bank a representative of that bank. The functions of this board are wholly advisory and it would amount merely

to a means of expressing banking opinion, informing the reserve board of conditions of credit in the several districts, and serving as a source of information upon which the board may draw in case of necessity. The desirability of such a body as a source of information and counsel is obvious, and it is believed that it gives to the banking interests of the several districts ample power to make their views known, and, so far as they deserve acceptance, to secure such acceptance.

SECTION 14.

In section 14 is set forth the fundamental business purpose of the bill in providing for rediscount operations. The Federal reserve banks are at the outset authorized to receive current deposits from their stockholders or from the Government or from other Federal reserve banks in so far as the latter may need to keep funds with them for exchange purposes.

The fundamental requirement throughout all of the discount section of the proposed bill is that antecedent to the performance of a service by a Federal reserve bank for a member bank which applies therefor the member bank shall indorse or guarantee the obligations which it offers for rediscount. Subject to this requirement, the proposed bill first of all provides that notes and bills having a maturity of not over 90 days and drawn for agricultural, industrial, or commercial purposes or the proceeds of which have been used for such purposes shall be admitted to rediscount. The meaning of this provision is briefly that any paper drawn for a legitimate business purpose of any kind may be rediscounted when within 90 days of maturity. It does not mean that the paper thus rediscounted shall have been originally made for 90 days, but that it shall have at the time of being rediscounted 90 days more to run. Thus a paper drawn for 120 days originally could be rediscounted when it was 30 days old. In view of the great difficulty of defining "commercial paper," the actual definition of the same has been left to the Federal reserve board in order that it may adjust the definition to the practices prevailing in different parts of the country in regard to the transaction of business and the making of paper. For obvious reasons it is forbidden that any such paper shall be admitted to rediscount if made for the purpose of carrying stocks or bonds.

It was felt that in some parts of the country the permission to rediscount paper having a maturity of 90 days might not fulfill all of the requirements imposed by the business practice of those regions, and therefore it is provided in the third paragraph of section 14 that, whenever the reserve of any Federal reserve bank is reasonably above its required minimum (such excess margin to be determined by the Federal reserve board), the reserve bank may rediscount commercial paper having a maturity of not more than 120 days, provided that not more than one-half of it shall have a maturity exceeding 90 days. This is intended to fulfill the requirements of portions of the country with an extremely long term of credit, but it is clear that no reserve banks should be allowed to put its funds into a form in which they will be "tied up" to such an extent, unless such a bank has a reserve perfectly adequate to take care of any necessities that are likely to present themselves in the meantime.

The fourth paragraph of section 14 grants permission to reserve banks to rediscount acceptances of member banks which are based on the exportation or importation of goods, run not more than six months, and bear the signature of one member bank in addition to that of the acceptor, the total of such rediscounts not to exceed one-half the capital of the bank for which the rediscounts are made. In the sixth paragaph, national banks are authorized to accept drafts or bills of exchange drawn upon it to an amount not exceeding one-half its capital. The acceptance business, which it is thus proposed to authorize, is a new form of business heretofore forbidden to national banks, by reason of the provisions and interpretations of the national-banking act, which have forbidden them to lend their credit or to incur contingent liabilities thereby. The acceptance form of loan is, however, very common in Europe, and has been found exceedingly serviceable. It is the opinion of expert bankers that it could be applied in the United States to excellent advantage. The following extract from a discussion of acceptances by Lawrence Merton Jacobs explains the method and purpose of the acceptance business:

"The fundamental difference between European and American banking has its origin in the dissimilarity between the evidences of indebtedness which lie behind the item of loans and discounts. It is most strikingly evidenced in the fact that time bills of exchange form a considerable proportion of the resources of the great banks of London, Paris, and Berlin, whereas the assets of leading New York banks are largely based on stocks and bonds.

"Of the bills of exchange in which are employed, either through loans or discounts, the funds of European banks, an essential part consists of what are known as bankers' bills—that is, bills drawn on bankers and accepted by them on behalf of customers in accordance with arrangements previously made. They are bills in exchange for which, by sale to a broker or by discounting at a bank, bankers' customers or those to whom they are indebted may secure immediate credit. In some instances it is arranged that the customers themselves shall draw the bills and in others that the bills shall be drawn by third parties for their account. In granting the accommodation the obligation that the bankers take upon themselves is that they will accept the bills upon presentation. This acceptance consists in the bankers writing across the face of the drafts the word "Accepted," adding their signature and the date. It is in the nature of a certification that the bills will be paid at maturity—that is, a specified number of days or months from the date appearing in the acceptance, or three days later if grace is allowed, as in England. When a banker grants accommodation to a customer by means of an acceptance he may secure himself in various ways. Ordinarily a banker accepts a customer's draft merely upon his general responsibility, the banker's risk being much the same as if he had discounted the customer's note running a certain length of time. Where the customer is an importer the banker ordinarily accepts the drafts upon the delivery to him of the documents covering the shipment, which documents he then turns over to his customer against a trust receipt. When a credit of this kind is opened the usual practice is for the banker to require the signature of a form containing an agreement to hold him harmless for accepting the bills, to place him in funds sufficient to pay off the bills three days prior to their maturity, and to pay him a commission

on the transaction, this commission varying according to the length of time the bills are to run and the financial standing of the customer. The cost of the accommodation to the customer in this commission plus the prevailing rate of discount for bankers' bills.

"In the United States the national-bank act does not permit banks to accept time bills drawn on them. Although the act does not specifically prohibit such acceptances, the courts have decided that national banks have no power to make them. This restriction has had a very considerable influence upon the development of banking in this country. For some time after the passage of the national-bank act, merchants and manufacturers provided themselves with funds by discounting their promissory notes with their local banker. Gradually, however, many concerns, finding that their needs were outstripping the banking accommodation which they could secure in their immediate vicinity, came to place their notes in the hands of brokers who in turn disposed of them to such bankers as possessed greater surpluses than they could satisfactorily invest at home. It is this method of borrowing which is now largely employed. In other words, the prohibition of bank acceptances has led to the creation of a vast amount of promissory notes instead of time bills of exchange. The difference between these two classes of instruments accounts to a great extent for the difference between European and American banking. In the case of time bills of exchange drawn on and accepted by prime banks and bankers there is practical uniformity of security. In the case of our promissory notes or commercial paper there is no such uniformity, the strength of the paper depending on the standing of miscellaneous mercantile and industrial concerns.

"It is this uniformity of security on the one hand which makes possible a public discount market; it is the lack of it in single-name paper which makes such a market impossible. As a result, we have great discount markets in London, Paris, and Berlin, and none in New York. In European centers the discount rate is the rate upon which the eyes of the financial community are fixed. In New York it is the rate for day-to-day loans on the stock exchange. The advantage in character of the one rate over the other clearly indicates an important advantage of European banking systems over our own. In the first place, the European discount rate bears a very direct relation to trade conditions. Its fluctuations depend primarily on the demand for and supply of bills which owe their origin to trade transactions, as balanced against the demand for and supply of money. If trade is active, the supply of bills becomes large, rapidly absorbing the loanable funds of the banks. As these surplus funds become less and less banks are unwilling to discout except at advanced rates. If trade is slack, less accommodation from bankers in the way of acceptances is required, bills become fewer in number, the competition for them in the discount market more keen, and the rate of discount declines. Low rates are an incentive to business and advancing rates act as a natural check. The New York call-loan rate, on the other hand, bears only an indirect relation to trade conditions. Its day-to-day fluctuations register mainly the speculative and investment demand for stocks. Low rates, instead of being an incentive to the revival of trade, are rather made the basis for speculative operations in securities.

"The striking difference, however, between European discount rates and the New York call-loan rates is that the former are comparatively stable and the latter subject to most violent oscillations. Foreign discount rates as bank reserves become depleted advance by fractions of 1 per cent. In New York the money rate advances on occasion 10 per cent at a time, mounting by leaps and bounds from 20 per cent to 100 per cent in times of stress."

AMOUNT OF REDISCOUNTS.

There has been extensive conjecture as to the probable amount of business which could be done by the Federal reserve banks under the foregoing provisions and regarding the amount of paper likely to be presented by the banks for rediscount. Such conjecture is more or less profitless, for two reasons:

1. The rediscount business done in the United States heretofore has been small, partly because of the limitations of the national-bank act and partly because of the prejudice against borrowing by banks, which has more or less artificially sprung up.

2. The purpose of the new act is to develop a commercial paper market, and if successful in this endeavor the legislation will entirely transform the conditions under which paper is bought and sold, loans contracted between banks, and funds transferred from one part of the country to another.

While it is thus true that the facts as to existing conditions do not throw much light upon what is to be expected and that conjectures based upon them are futile, it is worth while to call attention to the following table, taken from the last annual report of the Comptroller of the Currency, which gives a compact survey of the classes of paper which might theoretically be available for rediscount under the provisions of the act as already explained:

1	2	3	4	5	6	7	8
Date.	Number of banks.	On demand, paper with one or more individual or firm names.	On demand, secured by stocks, bonds, and other personal securities.	On time, paper with two or more individual or firm names.	On time, single-name paper (one person or firm) without other security.	On time, secured by stocks, bonds, and other personal securities, or on mortgages or other real estate security.	Total.
		Millions.	*Millions.*	*Millions.*	*Millions.*	*Millions.*	*Millions.*
Sept. 15, 1902	4,601	$237.3	$706.9	$1,176.4	$517.1	$642.4	$3,280.1
Sept. 9, 1903	5,042	283.1	717.3	1,267.5	558.1	655.4	3,481.4
Sept. 6, 1904	5,412	279.8	818.9	1,316.7	611.0	699.7	3,726.2
Aug. 25, 1905	5,757	320.1	854.1	1,382.2	689.1	753.0	3,998.5
Sept. 4, 1906	6,137	374.7	828.0	1,502.0	776.1	818.1	4,299.0
Aug. 22, 1907	6,544	428.2	832.9	1,648.7	899.5	869.2	4,678.5
Sept. 23, 1908	6,853	395.9	922.7	1,582.4	852.1	997.5	4,750.6
Sept. 1, 1909	6,977	441.5	957.3	1,698.4	971.5	1,060.1	5,128.8
Sept. 1, 1910	7,173	524.3	939.1	1,842.5	1,068.3	1,093.0	5,467.2
June 7, 1911	7,277	529.7	953.8	1,885.1	1,124.7	1,117.5	5,610.8
June 14, 1912	7,372	571.3	985.4	1,973.4	1,198.5	1,225.3	5,953.9

The columns numbered 3, 5, and 6 are those which represent paper potentially available under the act.

The fifth paragraph of section 14 forbids the rediscounting for any one bank of an aggregate of notes and bills bearing the signature or

indorsement of any one person or concern, this being a repetition of the prohibition of similar kind which is contained in the national banking act. A new feature is, however, found in the last sentence of the paragraph in question which reads as follows: "But this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values." This exception or exemption has long been asked for in the interest of legitimate business transactions. Obviously when a bill of exchange is secured by bills of lading and other documents accompanying it, it is primarily dependent for liquidation upon this unquestionably marketable wealth. There is therefore no reason for limiting the amount of the discount to be granted by any reference to the resources of the person applying for the accommodation or by the capital and surplus of the bank granting the discount, that being merely a question of banking judgment, while the bill itself is salable and will presumably be protected at the point where it is presented.

Summing up the terms of section 14, therefore, it may be said that the section simply applies to the Federal reserve banks the same general grants of authority and limitations thereon carried in the national-bank act with respect to the national banks, except that it more carefully limits the length of the paper to be rediscounted and the purpose for which it is drawn, while it opens the acceptance business to national banks and permits the rediscount of acceptance paper. The latter class of paper is limited to export and import operations in order to prevent any possibility of undue use of the provision at first by banks not thoroughly conversant with the working of the idea owing to lack of experience with this type of credit.

SECTION 15.

It will have been observed that the transactions authorized in section 14 were entirely of a nature originating with member banks and involving a rediscount operation. It is clearly necessary to extend the permitted transactions of the Federal reserve banks beyond this very narrow scope for two reasons:

1. The desirability of enabling Federal reserve banks to make their rate of discount effective in the general market at those times and under those conditions when rediscounts were slack and when therefore there might have been accumulation of funds in the reserve banks without any motive on the part of member banks to apply for rediscounts or perhaps with a strong motive on their part not to do so.

2. The desirability of opening an outlet through which the funds of Federal reserve banks might be profitably used at times when it was sought to facilitate transactions in foreign exchange or to regulate gold movements.

In order to attain these ends it is deemed wise to allow a reserve bank, first of all, to buy and sell from anyone whom it chooses the classes of bills which it is authorized to rediscount. The reserve bank evidently would not do this unless it should be in a position which, as already stated, furnished a strong motive for so doing. Outright purchases in the open market would of course require the payment of the face of the paper less discount, whereas rediscount operations would require simply the holding of a reserve of 33⅓ per cent behind the notes issued or deposit accounts created in the course

of the rediscount operation. Apart from this fundamental permission, it was deemed wise to allow the banks to buy coin and bullion and borrow or loan thereon and to deal in Government bonds. The power granted in subsection (d) to fix a rate of discount is an obvious incident to the existence of the reserve banks, but the power has been vested in the Federal reserve board to review this rate of discount when fixed by the local reserve bank at its discretion. This is intended to provide against the possibility that the local bank might be establishing a dangerously low rate of interest, which the reserve board, familiar as it would be with credit conditions throughout the country, would deem best to raise.

The final power to open and maintaining banking accounts in foreign countries for the purpose of dealing in exchange and of buying foreign bills is necessary in order to enable a reserve bank to exercise its full power in controlling gold movements and in facilitating payments and collections abroad.

SECTION 16.

Section 16 provides for the transfer of all moneys now held in the general fund of the Treasury to the reserve banks, disbursements to be thereafter made by check upon such banks. The general philosophy of this proposed change and the conditions which imperatively demand it have been sufficiently sketched at an earlier point in this report, and it is only necessary here to examine the actual working of the provision. Twelve months are allowed to effect the transfer, this being deemed a sufficient time in view of the comparatively low state of the Government's deposits in banks to-day. The apportionment of the funds between banks is required to be made as equitably as possible between the different sections of the country, this proviso being practically a repetition of the language found in the national-bank act to-day. The Federal reserve board and the Secretary of the Treasury are left with full power to fix a rate of interest from month to month on the deposits, this to be not less than one-half of 1 per cent.

How large a transfer of funds would be effected under the terms of this provision, and how such a transfer would affect the Treasury itself, will depend upon the condition of the Treasury at the time of the passage of the act, but an approximate idea may be formed from the daily Treasury statement, a copy of which is hereto appended.

SECTION 17.

The subject of note issue has occasioned the committee no little concern, but after due and full consideration it has determined that the proper mode of note issue to be provided for in the proposed act is that of an issue of government Treasury notes, obligations of the United States and receivable for all taxes, customs, and other public dues. Recognizing that the country is now definitely committed to the immediate redemption of all existing paper currency in lawfu money, upon demand, the proposed measure requires the redemption of such notes both at the Treasury and at each of the Federal reserve banks at par when requested.

Recognizing, moreover, that the regulation of the volume of currency in circulation—as distinct from the underlying money of ultimate redemption—is a delicate function requiring to be adjusted in accordance with the commercial, agricultural, and industrial needs of the country, the power of getting out the notes by making application for them is by the bill given to Federal reserve banks, they being required to furnish the local Federal reserve agent with collateral security consisting of rediscounted notes and bills to a sum equal to the amount of the notes issued to the Federal reserve bank in question. These operations, connected with the issue and retirement of reserve notes, are to be carried on through the local Federal reserve agent, who is daily to notify the reserve board of issues and withdrawals. Such reserve notes are required to be protected by a specially segregated reserve fund of 33⅓ per cent in lawful money.

The mode of protecting the notes is an essential and fundamental element in this section of the bill. A first lien on all assets and a Government guaranty of the goodness of the notes obtained by making them liabilities of the United States render the security behind the issue absolute, both as to immediate and as to ultimate conditions. It may thus be fairly said that the protection of the notes as distinct from their redemption is as follows: (1) Government promise to receive them and to be ultimately responsible for them; (2) first lien on all the assets of the bank issuing them; (3) direct lien on 100 per cent of prime paper specially selected and segregated for their protection; (4) claim on 33⅓ per cent of money drawn from the general funds of the bank and re-created as fast as notes are redeemed, that there may always be a special fund for the immediate protection of the issues.

While the notes are, under the new section, allowed to carry on their faces a letter and serial number distinguishing them from others, they are not suffered to bear the name of the bank through which they are issued, and the fundamental feature of this peculiar "Government" character is that they are required to be redeemed at the counter of every Federal reserve bank, no matter whether such bank has issued any notes, and no matter how many notes it may have issued. This signifies that every Federal reserve bank is a redemption agency for the whole of the issue, and the question at once arises, Out of what will such reserve bank redeem the notes should a great quantity be thrown in upon it? The section provides that such a bank may, if it chooses, (1) pay the notes out of the 33⅓ per cent fund of lawful money or gold held by it for the redemption of its own notes, re-creating such fund at once from any other funds held by it for its other liabilities, (2) charge the notes off against Government deposits held by it (and against which, of course, there is a reserve of 33⅓ per cent of lawful money), which would mean that such bank would at once send the redeemed notes to the Treasury and get back an equal amount of fresh Government deposits, or (3) present the notes presented to it for redemption, although issued by some other Federal reserve bank, to the Treasury for redemption. In either of these latter cases, of course, the result would be to throw on the Treasury the work of getting back the amount of the redeemed notes by sending them to the bank, through which they were originally issued. In addition to these provisions, of course, it is required

in other sections of the bill that every bank in the system shall receive the notes on deposit at par, and that they shall be payable to the Government for taxes, dues, and other public requirements.

All this shows how the notes are protected and how they can easily be redeemed by a man who is desirous of getting lawful money for his notes without any cost to himself. There is little doubt that his interests under the provisions of the measure are quite thoroughly safeguarded. But there remains the general question whether the public requirement of elasticity has been met and provided for. Elasticity must be considered from two standpoints—that of expansion and that of contraction. As to expansion, the regulatory mechanism is the Federal reserve board, which is given the power to veto applications for notes. The board, however, can not issue notes unless they are applied for and accompanied by a tender of proper commercial paper. This at least seems to assure that they will not be hastily or rashly overissued. The contraction feature is more difficult. In attempting to guard against the danger that the notes might remain in circulation after the need for them had passed, the bill makes the following provisions: (1) The notes can not be used in bank reserves; (2) the notes are not to be legal tender; (3) the notes can not be paid out by any Federal reserve bank (when not at first issued by it) under penalty of a tax of 10 per cent on their face value; (4) every Federal reserve bank is directed, upon receiving the note of another reserve bank, to (*a*) either send it direct to the bank that issued it, (*b*) to send it to the Treasury, charging it off against deposits, or (*c*) to present it to the Treasury for redemption in lawful money. On the other hand the Treasury is directed when it gets such notes in ordinary receipts to have them redeemed out of a 5 per cent fund kept with the department for that purpose, and then to send them home for ultimate redemption. The belief is freely expressed that these provisions will maintain the notes at par everywhere and will also prevent them from expanding or remaining out after the need for them has gone by.

There is a final paragraph in section 17 relating to the collection at par and without charge for exchange of certain classes of checks. The provision is that every Federal reserve bank shall receive on deposit at par the following classes of items:

1. Checks and drafts drawn upon any of its depositors.
2. Checks and drafts drawn by any of its depositors upon any other depositor.
3. Checks and drafts drawn by any depositor in any other Federal reserve bank upon funds to its credit in such reserve bank.

The object of these provisions is twofold:

1. To establish par transfers of funds among the banks in each Federal reserve district.
2. To establish par transfers of funds between Federal reserve districts.

Precisely how much difficulty and cost will be incurred by the Federal reserve banks in carrying out the provisions of this section can not be precisely calculated. It can, however, be positively stated that such expenditures will be very much less than those incurred by banks at the present day in carrying through their exchanges. The proposed provision will eliminate the numerous

and well-founded complaints of unjust charges for exchange; and, while it will prevent certain banks from profiting as they now do by exchange transactions, it will correspondingly benefit the community. The committee is well aware that the operation of this section will undoubtedly relieve some members of the community of greater burdens than others. It does not, however, consider the fact that some persons have been suffering an unnecessary burden under existing circumstances, a good reason for refusing or failing to provide for an important public function.

That this function of exchange may be effectively carried out, and that other duties connected with relations between the several banks of the system may be wisely, promptly, and effectively carried through, the proposed bill confers upon the Federal reserve board the power to require each Federal reserve bank to perform the functions of a clearing house, and at its discretion to require some one of them to act as a clearing house for all the others or at its own discretion to act as a clearing house in this way itself.

SECTIONS 18 AND 19.

Sections 18 and 19 may best be treated together, as they jointly provide for the disposal of existing national-bank notes and for the refunding of the bonds now held by the banks behind these notes. The general views entertained by the committee with respect to bank-note issue in general and the treatment of existing national-bank notes in particular have been sufficiently set forth at an earlier point in this report. It remains here to outline the exact steps that have been recommended to attain the desired end, and to indicate the probable cost and incidental problems connected with each step in the process. What has been done in the bill is as follows:

1. Provision has been made for paying at the end of 20 years the existing outstanding 2 per cent bonds. This is a manifest matter of justice.

2. Meantime banks have been permitted at their discretion to present one-twentieth of their bond holdings each year for conversion into 3 per cent bonds, and in the event they do not so present them the Secretary of the Treasury is authorized to reassign the quotas of bonds not taken up to other banks which are authorized to in that case secure a corresponding amount of additional conversions.

3. During the 20-year period any bank may increase or decrease its circulation at pleasure, subject to the maximum limitation prescribed by law.

4. However, from the date of the passage of the act no national bank is to be required to hold any United States bonds as security for circulation if it chooses to retire such circulation—in other words, the compulsory bond-purchase requirement of existing law is repealed.

It will be seen that the only interference with the existing demand for bonds provided under these sections is the withdrawal of the compulsory bond purchase now required. Precisely how great a limitation of the bond demand this would furnish can not be precisely stated. For the last year for which full report was made by the Comptroller of the Currency (1912) the net amount of bonds purchased by national banks to protect circulation was about $16,000,000. This,

however, was far in excess of the amount of bonds necessarily to be purchased under the compulsory-purchase requirement, inasmuch as many banks bought more bonds than they were obliged to secure under the terms of the national-bank act. There is no reason why this demand for bonds should not continue, as in fact it undoubtedly will. The capitalization of banks organized in the year in question was $16,080,000, while the amount of bonds purchased was about the same. If the amount of bonds required to be purchased be assumed to have been 25 per cent of the face of the capital of the newly organized banks it would have been $4,000,000, and this may be taken as considerably above the amount of compulsory demand for bonds for which there will no longer be legal basis should the present bill be enacted into law. As against this the Government stands ready to redeem in the form of 3 per cent bonds, roughly speaking, $37,000,000 per annum, and it is only reasonable to suppose that under the most unfavorable conditions the quantity of 2 per cent bonds which wi l be converted into threes in this way will be far in excess of the amount of the compulsory demand for twos which is now cut off.

The future of the 3 per cent bonds, should the conversions go on at the rate of 5 per cent per annum, may be open to some question. The committee has, however, consulted able expert opinion upon this subject and has found a practical unanimity of view to the effect that at least $50,000,000 per annum in 3 per cent bonds can and will be absorbed in the United States at par. Should such prove not to be the case, the banks have only to retain their present bonds and continue the issue of circulation thereon, but it is confidently believed that no such situation will occur. The committee looks forward with assurance to the conversion of a very considerable percentage, if not all, of the permitted 5 per cent in each successive year during the earlier part at least of the 20-year period. As the 20-year period draws toward a close it is quite likely that some bondholders will prefer to hold their bonds for redemption, but in the meantime there will have been a sufficient retirement of national-bank notes to impart to the new currency to be put out through the Federal reserve banks the desired quality of elasticity. In order to improve the market for the 3 per cent bonds, section 19 provides that they are to be free from all taxation both as to income and principal. It will be remembered that the status of the bonds is further helped in some measure by the provision made in the earning section (sec. 7) for devoting the Government share of reserve bank earnings to the redemption of bonds. As a corollary of the bond-refunding plan and of the note section the committee has deemed it wise to insert in section 19 a prohibition upon the further use of the extra-legal substitutes for circulating notes which have heretofore done duty in times of panic under the form of clearing-house certificates, cashiers' checks, and various substitutes for actual money which have been illegally paid out by banks to their creditors in lieu of the payment in the usual forms of currency employed by them during normal times. No such expedients would have been permitted save under severe stress, and with a suitable provision for an elastic note issue based upon commercial paper they should not longer be suffered to continue in use.

The amount of 2 per cent and other bonds now held behind circulation and affected by the provisions of sections 18 and 19 may be recapitulated as follows:

Bonds held in trust for national banks, Sept. 2, 1913.

	Kind of bonds.	Rate of interest.	Total amount outstanding.	Bonds held for national banks.			
				Total.	To secure circulation.	To secure deposits of public moneys.	
						Value at par.	Value at rate approved by department.
	GOVERNMENT.						
I.	U. S. loan of 1925..at par..	4	$118,489,900	$37,669,400	$34,181,700	$3,487,700	$3,487,700
I.	U. S. loan of 1908-1918, at par.....	3	63,945,460	25,828,900	22,182,200	3,646,700	3,646,700
I.	U. S. Panama of 1961, at par.....	3	50,000,000	17,110,200	.....	17,110,200	17,110,200
I.	U. S. consol of 1930 at par..	2	646,250,150	615,921,100	603,773,900	12,147,200	12,147,200
I.	U. S. Panama of 1936, at par.....	2	54,631,980	54,242,360	52,962,860	1,279,500	1,279,500
I.	U. S. Panama of 1938, at par.....	2	30,000,000	29,444,140	28,897,140	547,000	547,000
II.	Philippine loans...at par..	4	16,000,000	5,967,000	.....	5,967,000	5,967,000
II.	Porto Rico loans....do....	4	5,225,000	1,821,000	.....	1,821,000	1,821,000
II.	District of Columbia.do....	3.65	6,970,650	933,000	.....	933,000	933,000
II.	Territory of Hawaii, 3½ per cent bonds at 90 per cent of par; all other Hawaiian bonds at market value, not exceeding par.	(1)	6,515,000	1,978,000	.....	1,978,000	1,930,900
	MISCELLANEOUS.						
III.	Philippine Railway Co....	4	8,551,000	898,000	.....	898,000	588,571
III.	Manila Railroad Co.....	4	6,735,000	10,000	.....	10,000	6,750
III.	At 90 per cent of market value, not exceeding 90 per cent par.						
IV.	State, county, city, and other securities [2].....	(1)	.....	17,951,137	.....	17,951,137	11,747,904
	Total.....	.....	.....	809,774,237	741,997,800	67,776,437	61,213,425

[1] Various.

[2] As security for deposits made in connection with crop movement Government bonds are accepted at par, other bonds at 75 per cent of market value, and commercial paper at 65 per cent of face value.

When banks have occasion to withdraw bonds held by the Treasurer to secure deposits of public moneys, the following shall be the order of withdrawal: Group IV, Group III, Group II, and Group I.

Bonds within a group may be interchanged by banks if desired, but bonds in a lower group may not be substituted for those in a higher group, except that an initial substitution of bonds of a lower group for those of a higher group may be made to an amount not to exceed 30 per cent of the total security value of bonds held for a particular bank. National-bank depositaries which have not as yet taken out the full amount of circulation authorized by law may withdraw United States 2s and substitute for them bonds in Group II, provided the 2s as withdrawn shall be used as security for additional circulation.

SECTION 20.

Section 20 seeks to readjust the reserve requirements now provided by the national banking act in such a way as to make them conform to the dictates of scientific banking, and to adjust them to the provisions of the proposed bill. The following main objects have been had in mind:

1. To abolish entirely the present system of redeposited or "pyramided" reserves.
2. To establish a moderate required reserve actually to be held in cash in the vaults of the banks.
3. To prescribe a secondary reserve to take the form of a credit with the Federal reserve banks.

Several serious problems at once suggest themselves as the result of any effort to attain these objects. In the first place, the present conditions have grown up over a period of 50 years, and it is not desirable, even if it were safe, to disturb them roughly. Secondly, it is considered that existing reserve requirements, being based upon the state of affairs in which many independent banks were working without coordination it is possible to reduce the actual amount of reserves to be held. Finally, it is noted that in making the change suggested careful account must be taken of the total sums in cash as distinct from those in balances required to be held by existing law, and that they should be contrasted with the sums in cash and balances prescribed under the proposed bill. In surveying the situation a beginning may be made by considering with care the reserve requirements of the national bank act. These are as follows:

RESERVE CITIES AND RESERVE REQUIREMENTS.

120. SEC. 5191. Every national banking association in either of the following cities, Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburg, St. Louis, San Francisco, and Washington, shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of [*its notes in circulation and*] its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount [*of its notes in circulation and*] of its deposits. Whenever the lawful money of any association in any of the cities named shall be below the amount of twenty-five per centum of its [*circulation and*] deposits, and whenever the lawful money of any other association shall be below fifteen per centum of its [*circulation and*] deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividends of its profits until the required proportion, between the aggregate amount of its [*outstanding notes of circulation and*] deposits and its lawful money of the United States, has been restored. And the Comptroller of the Currency may notify any association whose lawful money reserve shall be below the amount above required to be kept on hand to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section fifty-two hundred and thirty-four.

NOTE.—This section is amended by the act of June 20, 1874, section 2, which provides that no reserve need be held against circulation. Said act follows section 5192. Act of March 3, 1903, amending act of March 3, 1887, providing for additional reserve cities, follows section 5192. Provisions relating to redemption of circulating notes, acts June 20, 1874, March 3, 1875, and July 14, 1890, follow Revised Statutes, 5192. Provisions relating to redemption of old notes of banks extending their corporate

existence, act July 12, 1882, follows Revised Statutes, 5136. Leavenworth, Kansas, was included as a reserve city in the original act, but was struck out March 1, 1872. Words "lawful money" construed by Attorney General as including all that is legal tender. (Opin. Atty. Gen., 17; 123.)

WHAT MAY BE COUNTED AS RESERVE.

121. SEC. 5192. Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept may consist of balances due to an association, available for the redemption of its circulating notes, from associations approved by the Comptroller of the Currency, organized under the act of June three, eighteen hundred and sixty-four, or under this title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburg, Richmond, Saint Louis, San Francisco, and Washington. Clearing-house certificates, representing specie or lawful money specially deposited for the purpose, of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing house, holding and owning such certificate, within the preceding section.

NOTE.—Leavenworth, Kansas, was included as a reserve city in the original act but was struck out March 1, 1872. Charleston and Richmond not being included in the list of reserve cities enumerated in section 5191, the banks of which are required to hold a reserve of twenty-five per centum of their net deposits, the Comptroller of the Currency has never approved any banks in said cities as reserve agents.

LAWFUL MONEY RESERVE TO BE DETERMINED BY DEPOSITS. ACT JUNE 20, 1874.

122. SEC. 2. That section thirty-one of "the national-bank act" be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever, by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.

NOTE.—Section 31 of "the national-bank act" is incorporated in sections 5191, 5192, Revised Statutes. Section 1 of act June 20, 1874, precedes section 5133, Revised Statutes.

NO RESERVE NEED BE HELD AGAINST DEPOSITS OF PUBLIC MONEY. ACT MAY 30, 1908.

123. SEC. 14. That the provisions of section fifty-one hundred and ninety-one of the Revised Statutes, with reference to the reserves of national banking associations, shall not apply to deposits of public moneys by the United States in designated depositaries.

PROVISIONS FOR REDEEMING CIRCULATION—FIVE PER CENT REDEMPTION FUND ACT JUNE 20, 1874.

124. SEC. 3. That every association organized or to be organized under the provisions of the said act and of the several acts amendatory thereof shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation; which sum shall be counted as a part of its lawful reserve, as provided in section two of this act; and when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of one thousand dollars, or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in [*United States notes*]. All notes so redeemed shall be charged by the Treasurer of the United States to the respective associations issuing the same, and he shall notify them severally on the first day of each month, or oftener, at his discretion, of the amount of such redemptions; and whenever such redemptions for any association shall amount to the sum of five hundred dollars, such association so notified shall forthwith deposit with the Treasurer of the United States a sum in United States notes equal to the amount of its circulating notes so redeemed. And all notes of national banks worn, defaced, mutilated, or otherwise unfit for circulation shall, when received by any assistant treasurer, or at any designated depository of the United States to be forwarded to the Treasurer of the United States for redemption as provided herein. And when such redemptions have been so reimbursed, the circulating notes so redeemed shall be forwarded to the respective associations by which they were issued; but if any of such notes are worn, mutilated, defaced, or rendered otherwise unfit for use, they shall be forwarded

to the Comptroller of the Currency and destroyed and replaced as now provided by law: *Provided*, That each of said associations shall reimburse to the Treasury the charges for transportation and the costs for assorting such notes; and the associations hereafter organized shall also severally reimburse to the Treasury the cost of engraving such plates as shall be ordered by each association respectively; and the amount assessed upon each association shall be in proportion to the circulation redeemed, and be charged to the fund on deposit with the Treasurer: *And provided further*, That so much of section thirty-two of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this section, is hereby repealed.

NOTE.—Section 12 of act of May 30, 1908, provides that notes of national banking associations shall be redeemed in lawful money of the United States. (See said section 12, page 49, ante.)
Section 32 of national-bank act is section 5195, Revised Statutes.

We may now contrast with the requirements which are thus laid down by existing national-bank legislation those which are established in the proposed legislation. In the following tabular view is given for each class of national banks—central reserve city, reserve city, and country—the provisions which it is proposed to create under the new legislation:

Reserve requirements.

COUNTRY BANKS.

	Up to 14 months.	14 months to 36 months.	After 36 months.
	Per cent.	*Per cent.*	*Per cent.*
Total reserve required	12	12	12
Cash in own vaults	5	5	5
On deposit with Federal reserve bank, required	3	5	5
On deposit in reserve or central reserve city or in Federal reserve bank or in cash, optional with bank	4	2	.....
In cash or on deposit in Federal reserve bank, optional with bank	.....	.....	2
Total reserve	12	12	12

Date.—"From and after the date set by the Secretary of the Treasury and officially announced by him as hereinbefore provided."
Refers to.—"That within 60 days from and after the date when the Secretary of the Treasury shall have officially announced, * * * the fact that a Federal reserve bank has been established."

RESERVE CITY BANKS.

	60 days.	60 days to 14 months.	After 36 months.
	Per cent.	*Per cent.*	*Per cent.*
Total reserve required	20	18	18
Cash in own vaults	10	9	9
On deposit with Federal reserve bank, required	.....	3	5
On deposit in central reserve city, optional with bank. May be cash or on deposit with Federal reserve bank	10	6	.....
On deposit with Federal reserve bank or in cash, optional with bank (see note)	.....	.....	4
Total reserve	20	18	18

Date.—"From and after the date set by the Secretary of the Treasury for the incorporation of the Federal reserve bank."
Again.—"For 60 days from the date set by the Secretary for the organization of the reserve bank."

BANKS IN CENTRAL RESERVE CITIES.

	60 days.	60 days to 14 months.	After 14 months.
Total reserve required	20	18	18
Cash in own vault	10	9	9
On deposit with Federal reserve bank:			
Optional			
Required		3	5
On deposit with Federal reserve bank or in cash, optional with banks	10	6	4
Total reserve	20	18	18

Two questions present themselves in connection with these reserve requirements—the first, How far would the banks be able to comply with them without sacrifice; and the second, How far would this change seem to be desirable? These may be dealt with in the reverse order.

In outlining the general philosophy of the proposed banking bill it was pointed out that the existing system of redeposited reserves gives rise to cheap money for stock-exchange speculation in the centers while it fails to provide in times of panic a reserve upon which the country can draw with assurance, because at such times stock-exchange securities can not be easily liquidated, so that call loans are unavailable as a resource, and the city banks in self-defense have deemed themselves warranted in suspending specie payments. It is contended, however, that these difficulties and irregularities of the existing system are mere blemishes upon the surface of an otherwise desirable state of affairs, and that there is good and sufficient economic reason for maintaining the present system of redeposited reserves at least in part. This claim may be reduced to a series of propositions, as follows:

1. The redeposited reserves are placed with the city banks not for stock speculation, but in large measure at least to supply exchange funds upon which the depositing banks may draw.

2. The redeposited balances must be kept with the banks which now hold them, because the country banks look to these city banks for accommodation and the latter gauge the amount of accommodation to be granted them by the size of the balances.

3. The country banks, and in general all banks making the redeposits get a rate of interest thereon. They are thus able to make use of a reserve which would otherwise be "dead," and which when held in cash or in the Federal reserve banks will yield them no revenue, the latter banks being forbidden by the terms of the bill to pay interest on deposits.

These contentions are worthy of careful study, because they are widely urged.

Regarding the first point—the question of exchange funds—it will be noted that the proposed bill has met the requirement for such funds by specifically directing Federal reserve banks to receive specified classes of checks at par. It has thus largely wiped out the necessity for any such balance as now held. It may be noted, however, that there is in the bill nothing whatever to prevent the

banks from maintaining any amount of such balances with city banks as they desire. Clearly if the balances with the city banks are exchange balances they are not reserves and there is no reason for regarding them as such.

The second point already noted has even less force than the first. Not only does the proposed bill provide more extensive facilities for rediscount than have ever been known, but even it if did not do so, and even if, as alleged, there are many kinds and classes of security not eligible for rediscount under the bill which country banks can use as a basis for accommodation only with city banks, it would still remain true that this does not afford any warrant for demanding the maintenance of the existing situation. The refusal to grant accommodation except in proportion to the amount of balance held by the would-be borrower is purely a matter of business practice. If a condition should be created under the proposed bill such that banks could not maintain the present reserve city deposits, it is hardly to be expected that the reserve city banks would immediately injure themselves and destroy their own source of business profits by refusing to buy good marketable paper or to extend loans upon sound security merely because conditions had altered and the large balances of former days were no longer kept with them.

As for the third contention—the loss of interest to depositing banks due to the sacrifice of their 2 per cent on reserve balances—the argument against the proposed change almost degenerates into absurdity. The measure so greatly broadens the scope of banking business as to open many new avenues of profitable investment, while the sacrifice of the 2 per cent now customarily paid is not only no loss to the community but represents the abolition of a long-standing evil which has drawn funds to places where they were not needed and away from those where they were.

In the ultimate analysis, the whole question simmers down to an issue whether the amount of reserve prescribed under the proposed bill is or is not excessive, and whether it can or can not be readily furnished by banks under the terms of the suggested legislation. The existing system is not backed either by the custom of other countries, by abstract logic, by the dictates of past experience, or by any other considerations. The only problem in the case is that of determining the correct amount of reserves to be required by the banks, and then of making the transition to the new basis under proper conditions.

The next step in the study of the proposed requirements is therefore an analysis of the ability of the banks to make the transition. The following computations may first be examined:

1. The bill provides in section 20 for a revision of the existing reserves of national banking associations.

2. The present reserve system recognizes three classes of banks: (*a*) Country banks, (*b*) reserve city banks, (*c*) central reserve city banks. Country banks are required to hold 6 per cent of their deposit liabilities in lawful money and may hold 9 per cent in balances with other banks. Reserve city banks are required to hold 12½ per cent of their deposits in lawful money and may hold 12½ per cent in balances with other banks in central reserve cities. Central reserve city banks are required to hold 25 per cent of their deposits (including those of other banks with them) in lawful money in their own vaults.

3. The bill aims to transfer these reserves away from banks other than those to which they belong, so that ultimately bank reserves will be held partly (*a*) in the vaults of the banks to which they belong and (*b*) partly in the reserve banks to be created under it, the reserve banks thus created taking the place of existing reserve city and central reserve city banks in their relation to others.

4. In carrying out this plan, the bill contemplates that ultimately reserves shall be as follows: (*a*) Five per cent of the outstanding deposits of all banks to be carried in the new reserve banks; (*b*) 5 per cent of the deposits of present country banks to be carried in cash in their own vaults; (*c*) 2 per cent of the deposits of present country banks to be carried either in cash in their own vaults or as a balance with new reserve banks; (*d*) 9 per cent of the deposits of present reserve city and central reserve city banks to be carried in cash in their own vaults; (*e*) 4 per cent of the deposits of present reserve city and central reserve city banks to be carried either in cash in their own vaults or as balances with the new reserve banks.

5. It is of course evident that the "balances" spoken of can be obtained by rediscounting paper with the new reserve banks.

6. From the foregoing it is clear that as some discretion is left to the banks about their reserves, the exact position of those reserves at any given time can not be predicted. Maximum and minimum limits can, however, be fixed. This is done as follows:

7. At the date of June 4, 1913 (comptroller's last report), the present bank reserve in central reserve cities was $409,601,424, held in cash.

At the same date the reserve which would have been required under the new plan as above sketched would have been 9 per cent of net deposits then subject to reserve requirements in cash and 9 per cent as a maximum in balances with the new reserve banks, as follows:

To be held in cash	$141,127,835
To be held as balances	141,127,835
Total	282,255,670

From this it is clear that if the balances under the new plan were established by taking actual money and putting it in the reserve banks the actual release of cash as compared with the present plan would be the difference between the total new reserve and the present reserve, while if the reserve balances were created by rediscounting the cash released under the new plan would be the difference between the cash required to be held under the new plan and the cash now actually held. That would signify:

Maximum release of cash	$268,473,589
Minimum release of cash	127,345,754

8. At the same date mentioned above the banking reserve in reserve cities as held by the banks was:

Held in cash	$250,383,926
Held in balances	232,799,679
Total	483,183,605

Under the new plan these banks would have to hold in cash 9 per cent of their net deposits subject to reserve requirements and a

like amount in balances (maximum), which would be for the reserve cities as a group:

To be held in cash	$175, 128, 701
To be held in balances	175, 128, 701
Total	350, 257, 402

Comparing these figures with the present requirements, as already given, it is seen that the new plan might mean either a

Maximum release of cash	$75, 255, 225
Or a maximum contraction of cash	99, 873, 476

9. At the same date mentioned above the banking reserve in country banks was held as follows:

Held in cash	$289, 392, 177
Held in balances	310, 689, 129
Total	600, 081, 306

Under the new plan the cash required would be 5 per cent of their net deposits subject to reserve requirements and 7 per cent in balances (2 of this at the bank's discretion). This would mean:

To be held in cash	$180, 533, 642
To be held in balances	252, 747, 100
Total	433, 280, 742

On the same principles as before this would mean a maximum release or contraction as follows:

Maximum release	$108, 858, 535
Maximum contraction	143, 888, 565

10. Thus it appears that there would be a possible maximum contraction as follows:

Reserve city banks	$99, 973, 476
Country banks	143, 888, 565
Total	243, 862, 041
Deduct central reserve city release	127, 345, 754
Net contraction	116, 514, 287

It is also evident that the result might work out as follows:

Released by central reserve city banks	$268, 473, 589
Released by reserve city banks	75, 255, 225
Released by country banks	108, 858, 535
Total	452, 587, 349

11. Which of these results would probably be reached? Assume that the first (contraction) was the net result owing to banks fulfilling their reserve requirements by depositing cash in every instance. The Government balances which are now to be poured into trade channels through the new reserve banks will run from $200,000,000 to $250,000,000. Bearing in mind the fact that the capital of the new banks has to be raised in cash, it will be seen that allowing for $100,000,000 of this capital the monetary situation would be left about the same as it is to-day except that the new reserve banks would be in position to add their loaning power to that of the older

banks. If we now assume that the transfer of reserves resulted in the extreme limit of expansion already referred to, it would be noted that the cash is released only on the assumption that the new reserve banks have to hold one-third in lawful money in order to make these discounts, it is clear that only two-thirds of $452,587,349, or about $300,000,000, will be released. Of this sum a certain part would be needed in bringing the reserves of State banks which may become members of the new associations up to the level which is required of them. How much this would be can not be positively asserted.

12. If it be asserted that this process will lead to inflation, the answer to be made is that whether it will or not is a matter in the hands of the reserve banks which have it in their power by fixing their rate of discount suitably to prevent the banks from creating with them by rediscounting reserve balances in excess of the required 5 per cent. If the reserve banks should do this, it would be found that the required 5 per cent referred to would be about $356,000,000 while the amount which the banks at their option might or might not obtain in this way would be about $213,000,000, the actual cash required to be held by them under the new plan as already sketched, being as follows:

Central reserve city banks	$141, 127, 835
Reserve city banks	175, 128, 701
Country banks	180, 533, 642
Total	496, 790, 178

Add to this the amount which the reserve banks can at their option make it worth while for the other banks to hold in cash or to deposit with them in cash, and we have a total of about $710,000,000. The actual cash held to-day by the banks at home and in the redemption fund is about $950,000,000. Something like $240,000,000 would thus be released under the probable working out of the system, and this would be drawn upon for the other purposes already referred to.

IMMEDIATE SHIFTING OF FUNDS.

This review of the reserve requirements of the proposed bill is, however, based entirely upon a comparison of the situation as to reserves at the present time contrasted with the situation which will exist at the end of three years after the measure has gone completely into operation. It was deemed wise to allow this length of time, as has already been elsewhere noted, for the reason that there will necessarily be some readjustment of loans, and if the change were to be suddenly made it might result in temporary embarrassment for some banks. The committee has made very careful inquiry into the length of time that should be allowed for shifting reserve requirements in the way indicated, and the maximum period that has been asserted to be necessary was found to be three years. It is probable that the change could be effected in a very much shorter time than this, if it were necessary to bring it about more quickly, but the committee has deemed it best to allow the full period that was thought desirable by the most conservative reasoners whom it consulted. This three-year period was the maximum mentioned either in the public hearings or in communications sent to the committee by experts with reference to the subject.

There is, however, another phase of the question of transfer which has not yet been dealt with. A review of the reserve section will make it clear that a period of 60 days after the creation of the reserve banks is fixed, during which conditions are allowed to remain as they are if desired by city banks, but by the end of which it is required that a certain transfer of reserves shall have been made to the reserve banks. Inasmuch as it was thought that this transfer might be difficult for the banks unless they were granted relief to a corresponding extent, the bill provides for the reduction of the reserve requirements in reserve and central reserve cities from 25 to 18 per cent at the end of the 60-day period in question. An examination of the latest returns for banking condition made public by the comptroller as of June 4, 1913, and reproduced in the appendix of this report shows that the total net deposits subject to reserve requirements may be taken for purposes of discussion at $7,200,000,000. Three per cent of this amount is $216,000,000. This might be supplied either through actual transfer of cash from the banks which now hold it, or through the obtaining of rediscounts, or partly in one way or partly in the other. The committee, however, has endeavored to adjust the requirements of the bill so that the transfer could be made, as already stated, in actual cash without any inconvenience. The reserve banks of the central reserve cities have normally on hand about $400,000,000 of reserve money. Of this seven twenty-fifths would be released under the provision for reduction of reserves from 25 per cent to 18 per cent. Banks in reserve cities have normally about $250,000,000 in cash, and about an equal amount in balances with central reserve cities. The reduction of reserve requirements from 25 to 18 per cent would release seven twenty-fifths out of this amount, or 3½ per cent in balances and 3½ per cent in cash—roughly speaking, $70,000,000 in each form.

Now, let it be assumed that the banks undertake to comply with the requirement of a transfer of 3 per cent of their liabilities from existing reserve city and central reserve city banks to the new reserve banks. As an extreme illustration we may suppose that the country banks will draw for the amount in question on the reserve city banks. As the deposit liabilities of the country banks are about $3,600,000,000, it may be supposed that the call will require about $108,000,000. How would the reserve city banks supply this amount—assuming that the call was made upon them and not directly upon central reserve city banks? Presumably they would draw upon their New York correspondents, and upon other central reserve cities, unless by so doing they cut down the balances there below the figure necessary for them to hold in order to comply with reserve requirements. We have seen that they could spare only about 3½ per cent of their own outstanding deposits. It must be remembered, however, that they will themselves find it necessary to shift 3 per cent of their outstanding deposits to the reserve banks. In addition, then, to the total draft of $108,000,000 made upon them by the country banks, they will have to provide in order to meet their own requirements 3 per cent of about $2,000,000,000 or roughly speaking $60,000,000—a total requirement therefore of $168,000,000. Of this it is fair to suppose that 3½ per cent of their present deposits or fully $70,000,000 can be directly transferred in cash without damaging their position. Another $70,000,000

can be clipped from their balances with central reserve cities without unduly reducing the latter. There would thus be needed $28,000,000 to meet all demands in cash.

In connection with the foregoing computation, it should, however, be borne in mind that 1 per cent of cash has been released in the country banks by the reduction of the vault cash requirements from 6 to 5 per cent. Inasmuch as the total reserve requirements of country banks is cut to 12 per cent, it may perhaps be fair to suppose that this margin of cash could be drawn upon at the very outset in order to supply cash requirements. It would certainly before long furnish a means of extending discounts and would be available as a cash resource for the combined banks obviating the necessity of applying to the new reserve banks for rediscount accommodation.

It must, moreover, be borne in mind in the foregoing computations that by the process of withdrawing funds already referred to there has been a corresponding reduction of deposit liabilities, with a corresponding reduction of reserve requirements against them. For example, if the assumption that country banks draw upon reserve city banks for the full amount of their transfers to the new Federal reserve banks be correct, the effect would be to eliminate about $100,000,000 of deposits formerly held by reserve city banks against which reserves had to be carried but which having been paid off are no longer subject to reserve requirements. This would be a release under the new reserve provisions of $20,000,000 of reserve money in the reserve cities. The reserve thus released might be either in cash or balances and it is fair to assume would be about evenly divided between the two. In central reserve cities if a draft for $70,000,000 were made by reserve city banks the result would be a release of reserve against deposits to a corresponding extent, thereby enabling banks to reduce their necessary cash holdings by one-fifth of that amount, $14,000,000, at the outset and by a further 2 per cent additional later on.

Summing up these compensating or offsetting factors of the situation it is a fair conclusion that the draft upon the banks during the first 60 days' life of the new undertaking would be much less, so far as reserve requirements are concerned, than the demands made by present reserve requirements.

What has been said applies entirely to the first year under the new measure. At the end of that time an additional transfer of 2 per cent of deposit liabilities must be made by the member banks. Assuming that their deposits remain stationary during the year on the basis of the report of June 4, last, the amount needed to be transferred would be 2 per cent of about $6,900,000,000, or about $138,000,000. If the banks had not accumulated cash during the year or retained the surplus cash set free at the outset, this requirement might, so far as it consisted of an actual draft upon reserve and central reserve cities, have to be met by rediscounting. There is, however, no probability that any such situation would develop. On the contrary, the year's operations would have been marked by a far greater ease in the loan transactions of the banks than any previously experienced, due to the fact that the new reserve system was in operation. It is fair to suppose that the amount of deposits would have increased considerably and that the amount of reserve to be transferred would have correspondingly increased.

That in the meantime the habit of resorting to the reserve banks for rediscounts would have grown up can not be questioned. At the end of the year, therefore, the banks would simply be obliged to strengthen their balances with the reserve banks to the extent of $138,000,000, and they would do this through ordinary commercial processes involving no inconvenience or sacrifice whatever. If the extreme supposition that the banks did not enlarge their deposits during the year, and that the cash originally held against them remained stationary, should be accepted, the fact would remain that the reserve banks would during that period have received some $200,000,000 from the Government in cash deposits and would have paid out more or less of it, into circulation, inevitably resulting in increasing the flow of cash into the vaults of the member banks while they would still have a comfortable margin left from the first release. If the volume of loans were the same at the end of the year as at the beginning it would be practically inevitable that they should be very much stronger in cash than they are at present.

In closing this discussion of the relative strength of the banks before and after the transfer of reserves, it is well to emphasize once more the fact that the new requirements, far from causing constriction will cause relaxation and that the danger of the situation from the banking standpoint will not be in the limitation of loans but rather in the inflating of them—a process which, however, will remain well under the control of the reserve banks to be organized, by reason of their regulation of the rate of rediscount.

Throughout the foregoing computations, it should be understood, reference has been had to the most unfavorable conditions that could be supposed to exist and no effort has been made to put the situation in a light that would present the transition to the new system as unduly easy. There are two broad classes of considerations which, however, should be taken into account in studying the situation which would exist after the adoption of the proposed bill. These are as follows:

1. Many banks do not keep their permitted balances with banks in reserve cities, but with banks in central reserve cities. The result is that the total amount of drafts to be made upon reserve city banks will, in fact, be less than that which has already been computed and there will be less necessary shifting of balances under the operation of the bill in question.

2. It is not true that all banks would as assumed come into the new system within 60 days. The act is founded upon the provision that (*a*) within 90 days after the adoption of the act the organization committee shall designate places for the organization of reserve banks, and that (*b*) within 60 days after the date when the organization of a bank has been announced, there shall be a shift of a certain per cent in the reserves required. This would be a total of 150 days after the passage of the act which would be likely to elapse before the new reserve requirements would become effective. More important still, the new reserve banks can be organized in any district as soon as a capital of $5,000,000 each is assured. This would be $60,000,000 in all, so that even if reserve banks were simultaneously organized in all districts it would not be necessary for more than three-fifths of the banks to have signified an intention to enter the system. The banks are

given a year within which to settle for themselves whether they will enter the system or not. It is thus entirely possible, although we think not probable, that the organization of some of the reserve banks might be deferred until several months after the adoption of the act. If this should be the case the call for new reserves would be even slower and it is fair to assume that the movement of banks into the system will practically be distributed throughout the year so that the draft on reserve funds will not fall suddenly as has been assumed in the computations made above, but will be diffused over a very considerable period. This would give ample opportunity for the acquiring of reserve money through any one of the channels through which it is ordinarily obtained—importation, production of gold, the gathering in of cash in circulation, or as a substitute the gradual extension of rediscounts by Federal reserve banks which count for reserve purposes the same as actual cash, up to the specified limit permitted by the act. There need therefore be no anxiety whatever with reference to a sudden stringency due to an excessive demand for currency consequent upon a rush of banks into the new system immediately after the enactment of the proposed legislation. On the contrary, the reasonable expectation would point in the opposite direction—toward a somewhat extensive relaxation of cash requirements due to the fact that banks will see a profit in getting rediscounts from the Federal reserve banks instead of fulfilling their reserve requirements by transferring actual reserve money to such banks. This is quite opposed, we are aware, to the current view on this subject, but it is far more in harmony with the facts of the case.

SECTION 21.

In this section provision is made for the repeal of portions of existing law which require that the 5 per cent fund deposited with the Treasurer of the United States by national banking associations for the purpose of note redemption shall be counted as part of the lawful reserve. There is no good reason for treating the 5 per cent fund in this way and there never has been any. The existing requirements of legislation practically withdraw the amount kept with the Treasury for the purpose of current redemption of national bank notes from the actual uses of the bank and put them out of reach. It is believed that if the national banks are to continue to issue notes, and so long as they do, they should be required to provide for the redemption of their notes on an independent basis, and that the fiction of counting as reserve something which is not reserve and never can serve that purpose ought not to be maintained. As the national-bank notes are retired, through the presentation of 2 per cent bonds for conversion into threes, the amount of the fund kept on deposit with the Treasury for the current redemption of national-bank notes will be of less and less importance, so that such burden as is thrown upon the banks by the provisions of section 21 will disappear as the banks at their own option convert their bonds. The section is therefore a further working out of the ideas carried by section 20, which are in substance that reserve should be either actual cash at home or a balance with a cooperative institution which is organized for the purpose of maintaining and safeguarding the solvency of the country and which can be relied upon to hold its balances subject to call in case of necessity.

SECTION 22.

Section 22 establishes a reserve of 33⅓ per cent of the outstanding demand liabilities of each Federal reserve bank, such reserve to be held in gold or lawful money. In a general way the committee believes that requirement of a fixed reserve is not a wise or desirable thing as viewed in the light of scientific banking principle. It believes, however, that in a country accustomed to fixed reserve requirements the prescription of a minimum reserve may have a beneficial effect, and it therefore has determined upon 33⅓ per cent. This it regards as a minimum requirement and it firmly believes that the reserve banks will of their own accord keep as a usual practice considerably more than the amount required. It will be remembered that in an earlier section (sec. 12) the Federal reserve board was given power to suspend reserve requirements for 30 days if it saw fit. And in the present section, with that in mind, it is provided that if, upon notice of 30 days after being directed by the Federal reserve board to make good its required reserve so as to bring it up to 33⅓ per cent, any Federal reserve bank fails to comply with directions, the Federal reserve board shall have power to close the bank and appoint a receiver therefor.

SECTION 23.

In section 23 it is sought to improve upon and strengthen existing bank examination requirements, in the belief that the latter are not now sufficiently effective and that existing authorities have not the power to carry through such examinations either with the thoroughness or the frequency that the circumstances demand. Section 23 therefore provides for a change in the method of compensating bank examiners and alters in various details the methods now employed in carrying out the examinations.

In view of the close and intimate relationships which are to be maintained between Federal reserve banks and their member banks, and in view of the fact that the Federal reserve banks are authorized to act as clearing houses for such member banks, the power is bestowed upon the Federal reserve banks subject to the oversight of the Federal reserve board to carry on examinations of member banks as it may deem best. These examinations would be similar to those now conducted by clearing-house associations.

Paragraph 3 of the section authorizes the Federal reserve board to make an examination not less frequently than four times a year of national banks in reserve cities. This is in view of the fact that the reserve cities, if they continue to be such, will have the power of holding bank funds and of conducting all of the functions they now perform. It has been found in the past that the condition of city banks changed much more rapidly than did that of country banks, and it is therefore thought to be desirable that specially close oversight should be maintained with regard to this class of banks.

It has been complained that under this section national banks in reserve cities would be under examination nearly all the time. No charge of the sort can be sustained. The Federal reserve board's examinations of banks in reserve cities, which are to be made four

times a year, are not additional to the two examinations of every national banking association described in the first paragraph, but include them. In other words, banks ranked as country banks are to be examined at least twice and all others at least four times a year by the Federal reserve board, while, if desired, the reserve bank of each district may have a system of its own for keeping advised of the affairs of member banks—a plan employed by clearing-house associations to-day. The specifications with reference to the items to be shown in the reports of examination of national banks in reserve cities cover items that have been, it is thought, neglected under past legislation.

In general the purpose of this section is to convey all reasonable and necessary power of bank examination, to place it where it can be most effectively used, and to assume that the power is to be used for the purpose of strengthening, protecting, but certainly not of annoying or crippling the banks to which it is applied.

SECTION 24.

In this section it is sought to correct a bad practice, all too prevalent, of paying fees to bank examiners in order that they may make a favorable report upon the condition of a bank; and further to end the illegitimate practice whereby officers of national banks have heretofore profited at the expense of borrowers by charging a commission or brokerage for the obtaining of loans. The extent of these practices can not be stated, but that they prevail is certain; and it is equally clear that they are opposed to public welfare and to sound banking, besides being wholly at variance with fundamental principles of honorable personal conduct.

SECTION 25.

In this section it is endeavored to overcome the practice which has sprung up on the part of dishonest or cowardly national bank stockholders of evading the double liability provision when they have been informed of the failure of a bank in which they hold shares, by transferring such shares to some "dummy" who is immune from recovery under the double-liability provision. It is believed that by making stockholders who have transferred their shares 60 days before a bank failure equally as liable as if they had not made such transfer, the needs of the situation will be met. Some have alleged that the requirements should be that stockholders be liable whenever and so long as it could be proven that they had knowledge of the impending bank failure, but that they should not be liable if in good faith they transferred their shares within 60 days before a failure. This sounds plausible but is at variance with the facts of experience. The process of proving that a stockholder had knowledge is difficult and expensive, if not impossible in many cases, and it is believed that the 60-day provision is entirely equitable and far more workable.

SECTION 26.

Loans on improved farm lands are provided for in this section under strict limitations as to the value of the security and the amount of the loan as compared with the face of the bank's capital. The loans

are limited to a period of twelve months, and are permitted only in the case of country banks. This provision has not been made, as seems to be supposed in some quarters, for the purpose of furnishing a means of supplying farmers with working capital. It has been made upon the advice of practical bankers, in recognition of the fact that in many parts of the country the principal or almost the sole business of national banks is found in making loans to farmers, and that while these loans are in every sense commercial in that they are to be paid back out of the proceeds of a business process then going on—the raising and marketing of a crop—the only actual security the farmer can offer is a lien upon his land and its products. To allow the bank to take this lien enables it to do frankly and truthfully, with due protection to itself, business that it will probably do in some way, even if not thus authorized, inasmuch as the well-being of the community and the transaction of its business calls for the extension of loans to farmers who are engaged in the process of growing and marketing consumable articles and who need working capital in order to facilitate their operations. The total amount of such loans which could be made under the provisions of this section might run as high as $150,000,000, but is not likely to approximate that sum.

SECTION 27.

Permission to national banks to open departments specifically designed for the reception of savings deposits and conducted with a view to the separate investment and protection of such savings deposits is granted in section 27. For a long time national banks have found their business encroached upon by the growth of savings banks and trust companies, and in several hundred instances they are now found evading the law by the organization of allied concerns which are carried on as trust companies or savings banks under technically separate organization, but really under an identical control. The committee, while strongly believing in the principle of a corps of commercial closely restricted banks as the basic element in the country's credit system, believes that with the added strength afforded by the new Federal reserve banks, Congress may reasonably relax some of the restrictions now surrounding the business of national banks and allow to national institutions the savings bank and limited trustee functions recognized in this section without unduly straining the essential structure of the national banking system, provided that savings departments if organized shall be conducted upon an entirely separate basis from the commercial departments of the national banks creating them, with segregated reserves and strictly segregated assets. Some further restrictions have been laid down in the section which are largely self-explanatory.

SECTION 28.

There has long been a demand for an extension of the powers of national banks which would permit them to facilitate foreign trade and do business abroad. The plan upon which the committee has determined after much consideration and comparison of various competing propositions calls for permission to national banks having

a capital of $1,000,000 or over to establish branch banks in foreign countries whenever they may deem best, subject to regulations to be prescribed by the Federal reserve board. It is, however, required that due application shall be made to the reserve board for permission to establish such branches and that in establishing them the bank in question shall set aside a specified amount of its capital for use at the said branches and shall submit to suitable examination of the affairs of the branches. A separate accounting system is ordered to be maintained at each branch in order that it may be known exactly how successfully each such independent institution is being carried on, and in order to prevent unsuccessful operations engaged in at one point from being covered up in the affairs of the institution as a whole. Inasmuch as the requirements concerning the creation of these branches are necessarily general in terms, section 28 naturally specifies that a power of further regulation from the administrative standpoint shall be lodged with the Federal reserve board in order that the said board may exercise a suitable control over the doings of the banks which apply for such permission, and of their branches.

SECTION 29.

Section 29 is merely the usual provision for repeal of inconsistent statutory requirements, whatever they may be, that might conflict with the terms of the legislation now proposed for adoption.

SECTION 30.

Section 30 specifies that Congress retains the right to amend, alter, or repeal the act—a power reserved, no doubt, in any event, but which it has been deemed best to express in specific language.

Appendix A.

Daily statement of the United States Treasury at close of business Aug. 5, 1913.

CASH ASSETS AND LIABILITIES.

General fund.

ASSETS.		LIABILITIES.	
Cash:		Current liabilities:	
In Treasury offices—		In Treasury offices—	
Gold coin	$26,227,243.44	Disbursing officers' balances	$69,432,075.81
Gold certificates	91,276,790.00	Outstanding warrants	3,754,564.40
Standard silver dollars	8,565,931.00	Outstanding Tresurer's checks	9,440,773.90
Silver certificates	14,136,624.00	Post Office Department balances	10,135,920.79
United States notes	7,944,142.00	Postal savings balances	1,504,100.63
Treasury notes of 1890	4,538.00	Judicial officers' balances, etc	8,394,014.25
Certified checks on banks	524,892.95	National-bank notes: Redemption fund [1]	20,741,483.50
National-bank notes	48,810,159.97	National-bank 5 per cent fund	26,871,679.38
NOTE. — This includes $44,468,406.97 which the Treasury has redeemed and for which it will receive payment from national banks.		Assets of failed national banks	5,441,625.28
		Coupons and interest checks	1,499,769.47
		Miscellaneous (exchanges, etc.)	5,075,981.15
		Total	162,291,988.56
		Subtract: Checks not cleared	17,944,501.58
	197,490,321.36		144,347,486.98
In national-bank depositaries—		In national-bank depositaries—	
To credit of Treasurer United States	54,574,542.20	Judicial officers' balances, etc	6,525,838.30
To credit of postmasters, judicial officers, etc	6,525,838.30	Outstanding warrants	794,842.16
Available cash in Treasury and banks	258,590,701.86	Current liabilities in Treasury and banks	151,668,167.44
Free and available balance in Treasury and banks:			
Available cash. $258,590,701.86			
Current liabilities 151,668,167.44			
Free balance 106,922,534.42			
In treasury, Philippines—		In treasury, Philippines—	
To credit of Treasurer, United States	1,829,953.69	Disbursing officers' balances	1,654,548.97
To credit of disbursing officers	1,654,548.97	Outstanding warrants	2,105,704.09
Balances in Treasury offices, limited tender or unavailable—		Total liabilities against cash	155,428,420.50
Silver bullion	2,185,039.91		
Subsidiary silver coin	20,148,879.76	Net balance in general fund	130,952,552.95
Fractional currency	339.19		
Minor coin	1,971,510.07		
Total cash assets in the general fund	286,380,973.45	Total liabilities and net balance	286,380,973.45

[1] The act of July 14, 1890, provides that deposits made by national banks to redeem circulating notes shall be covered into the Treasury as miscellaneous receipts and that the Treasury shall redeem from the general cash the circulating notes which come into its possession subject to redemption.

The currency trust funds, the general fund, and the gold reserve fund.

ASSETS.		LIABILITIES.	
Currency trust funds:		Outstanding certificates:	
Gold coin	$890,041,529.00	Gold certificates outstanding.	$1,092,820,169.00
Gold bullion	202,778,640.00	Silver certificates outstanding	485,008,000.00
Total gold	1,092,820,169.00	Treasury notes outstanding	2,645,000.00
Silver dollars	485,008,000.00		
Silver dollars of 1890	2,645,000.00		
Total currency trust funds	1,580,473,169.00	Total outstanding certificates	1,580,473,169.00
General fund:		General fund liabilities and balance:	
Total cash assets, as above	286,380,973.45	Total liabilities, as above	155,428,420.50
		Balance in general fund, as above	$130,952,552.95
Gold reserve fund:		Gold reserve [1]	150,000,000.00
Gold coin	100,000,000.00		
Gold bullion	50,000,000.00	Total net balances	280,952,552.95
Grand total cash assets in Treasury	2,016,854,142.45		2,016,854,142.45

[1] Reserved against $346,681,016 of United States notes and $2,645,000 of Treasury notes of 1890.

Cash receipts and payments, Aug. 5, 1913.

GENERAL FUND.

RECEIPTS.		PAYMENTS.	
Current receipts:		Currency payments:	
Customs	$1,321,619.83	By Treasury and Subtreasuries	$2,693,228.31
Internal revenue—		By national banks	3,827,706.54
Ordinary	879,369.21		
Corporation tax	3,284.53		
Miscellaneous	82,682.90		
Total	2,286,956.47	Total	6,520,934.85
Agency receipts:		Agency payments:	
National-bank redemptions, postmasters' receipts, etc	5,506,450.65	National-bank redemptions, postmasters' payments, etc	3,259,302.77
Total current and agency receipts	7,793,407.12	Total current and agency payments	9,780,237.62
Public-debt receipts:		Public-debt payments:	
Lawful money deposited to retire national-bank notes (act July 14, 1890)	104,650.00	Lawful money paid for national-bank notes retired (act July 14, 1890)	125,250.00
Proceeds of postal savings bonds		United States bonds, certificates, and notes paid	
Panama Canal—		Panama Canal payments:	
Proceeds of bonds		Disbursements for the canal (included above in current payments)	
Total receipts for the day	7,898,057.12	Total payments for the day	9,905,487.62
Excess of payments for the day	2,007,430.50	Excess of receipts for the day	
	9,905,487.62		9,905,487.62

NOTE.—Both receipts and payments represent transactions which have reached the Treasury this day. Distant points are, necessarily, a number of days behind.

RECAPITULATION, GENERAL FUND.		TRANSACTIONS IN NATIONAL-BANK NOTES.	
Total cash assets in the general fund, previous day	$288,388,403.95	Notes received for redemption this day	$1,241,900.80
Receipts this day	7,898,057.12		
	296,286,461.07	Month to date:	
Payments this day	9,905,487.62	This fiscal year	8,550,875.70
		Last fiscal year	9,836,666.60
Total cash assets in the general fund at end of this day	286,380,973.45	Year to date:	
		This fiscal year	69,801,606.20
		Last fiscal year	69,503,127.50

Bonds held in trust for national banks, Aug. 5, 1913.

	Kind of bonds.	Rate of interest.	Total amount outstanding.	Bonds held for national banks.			
				Total.	To secure circulation.	To secure deposits of public moneys.	
						Value at par.	Value at rate approved by department.
	GOVERNMENT.						
I.	U. S. loan of 1925..at par..	4	$118,489,900	$36,821,700	$33,357,500	$3,464,200	$3,464,200
I.	U. S. loan of 1908-1918.do..	3	63,945,460	25,663,300	22,023 200	3,640,100	3,640,100
I.	U. S. Panama of 1961...do..	3	50,000,000	17,580,700	.....	17,580,700	17,580,700
I.	U.S.consol of 1930.....do..	2	646,250,150	616,225,750	604,591,550	11,634,200	11,634,200
I.	U.S.Panama of 1936...do..	2	54,631,980	54,128,360	52,854,360	1,274,000	1,274,000
I.	U.S.Panama of 1938...do..	2	30,000,000	29,472,640	28,945,640	527,000	527,000
II.	Philippine loans.....do..	4	16,000,000	5,927,000	.....	5,927,000	5,927,000
II.	Porto Rico loans.....do..	4	5,225,000	1,801,000	.....	1,801,000	1,801,000
II.	District of Columbia..do..	3.65	6,970,650	933,000	.....	933,000	933,000
II.	Territory of Hawaii, 3½ per cent bonds at 90 per cent of par; all other Hawaiian bonds at market value, not exceeding par.....	(1)	6,515,000	1,943,000	.....	1,943,000	1,895,900
	MISCELLANEOUS.						
III.	Philippine Railway Co....	4	8,543,000	898,000	.....	898,000	588,571
III.	Manila Railroad Co.....	4	6,735,000	10,000	.....	10,000	6,750
III.	At 90 per cent of market value, not exceeding 90 per cent par.						
IV.	State, county, and city at 75 per cent [2] of market value, not exceeding par.	(1)	.....	14,831,600	.....	14,831,600	9,693,102
	Total.....	.....	.....	806,236,050	741,772,250	64,463,800	58,965,523

[1] Various.

[2] For the District of Columbia temporary tax deposits, certain other classes of securities are also acceptable at this rate and State bonds are acceptable at 85 per cent of market value, not exceeding par.

When banks have occasion to withdraw bonds held by the Treasurer to secure deposits of public moneys, the following shall be the order of withdrawal: Group IV, Group III, Group II, and Group I.

Bonds within a group may be interchanged by banks if desired, but bonds in a lower group may not be substituted for those in a higher group, except that an initial substitution of bonds of a lower group for those of a higher group may be made to an amount not to exceed 30 per cent of the total security value of bonds held for a particular bank. National bank depositaries which have not as yet taken out the full amount of circulation authorized by law may withdraw United States 2's and substitute for them bonds in Group II, provided the 2's as withdrawn shall be used as security for additional circulation.

Current receipts contrasted with pay warrants drawn (exclusive of postal service payable from postal revenues)—Aug. 5, 1913.

	Month to date.		Year to date.	
	This fiscal year.	Last fiscal year.	This fiscal year.	Last fiscal year.
Current receipts:				
Customs	$3,845,597.68	$3,859,556.50	$31,652,252.22	$31,996,058.77
Internal revenue—				
Ordinary	3,616,306.62	3,635,497.81	29,337,154.75	28,368,034.10
Corporation tax	44,124.16	86,112.59	1,897,423.04	1,440,105.21
Miscellaneous	895,970.32	677,412.55	5,746,692.89	5,990,714.87
Total cash receipts	8,401,998.78	8,258,579.45	68,633,522.90	67,794.912.95
Pay warrants drawn:				
Legislative establishment	102,627.35	130,904.06	1,343,143.83	1,214,593.19
Executive Office	468.97	9,000.00	46,186.66	68,355.00
State Department	24,123.44	35,617.48	588,885.90	382,498.58
Treasury Department—				
Excluding public buildings	61,422.60	109,753.09	4,316,767.05	3,832,832.69
Public buildings [1]	221,245.01	55,431.12	1,921,198.23	1,700,813.68
War Department—				
Military	1,907,407.11	1,014,557.46	16,776,280.11	12,199,639.90
Civilian	.....	.....	230,088.02	184,814.53
Rivers and harbors	346,063.75	426,436.85	4,975,390.48	4,026,133.75
Department of Justice	29,616.04	31,588.99	1,380,599.44	596,761.37
Post Office Department—				
Not including postal service	132,406.49	25,347.94	326,780.40	165,422.37
Postal deficiencies	.....	.....	.....	401,947.60
Navy Department—Naval	1,988,566.71	1,798,159.50	14,311,720.37	12,688,142.26
Civilian	14,900.00	7,233.86	87,208.33	75,837.12
Interior Department—Excluding "Pensions" and "Indians"	120,432.03	380,588.49	4,834,369.19	4,877,134.34
Pensions	3,225,894.38	3,005,264.59	17,674,638.28	15,774,255.46
Indians	530,760.23	197,125.88	1,537,434.72	1,020,043.64
Department of Agriculture	1,997.07	21,506.00	2,860,966.54	1,972,362.62
Department of Commerce	48,625.62	3,745.10	937,162.08	1,061,585.91
Department of Labor	.....		349,816.37	
Independent offices and commissions	69,017.12	583.33	383,986.95	339,331.19
District of Columbia	61,639.01	577,333.33	2,574,110.30	2,807,444.19
Interest on the public debt	111,194.75	77,705.67	3,332,241.54	3,406,007.40
Total pay warrants drawn	8,998,407.68	7,907,882.74	80,788,974.79	68,795,956.79
Less unexpended balances repaid	405,595.70	444,805.69	2,281,956.65	1,061,662.55
Total pay warrants (net)	8,592,811.98	7,463,077.05	78,507,018.14	67,734,294.24
Excess of current receipts (surplus)	.....	795,502.40	.....	60,618.71
Excess of pay warrants (deficit)	190,813.20	.....	9,873,495.24	.....
Public debt receipts:				
Lawful money deposited to retire national-bank notes (act July 14, 1890)	334,650.00	50,060.00	1,791,690.00	1,502,060.00
Proceeds of postal savings bonds	.....	.....	1,116,880.00	854,860.00
Proceeds of Panama Canal bonds	.....	.....	.....	.....
Total public debt receipts	334,650.00	50,060.00	2,908,570.00	2,356,920.00
Public debt payments:				
National-bank notes retired	383,900.00	375,950.00	3,143,012.50	3,256,038.00
United States bonds, certificates, and notes paid	.....	.....	5,280.00	29,765.00
Total retirements	383,900.00	375,950.00	3,148,292.50	3,285,803.00
Panama Canal payments:				
Pay warrants for construction, etc	1,049,846.50	28,073.06	4,263,207.65	4,185,587.45
Total public debt and Panama Canal pay warrants	1,433,746.50	404,023.06	7,411,500.15	7,471,390.45
Excess of public debt receipts	.....	.....	.....	.....
Excess of public debt and Panama Canal pay warrants	1,099,096.50	353,963.06	4,502,930.15	5,114,470.45
Net excess of all receipts	.....	441,539.34	.....	.....
Net excess of all pay warrants	1,289,909.70	.....	14,376,425.39	5,053,851.74

[1] Sites, construction, equipment, operation, and maintenance.

Panama Canal (Aug. 5, 1913):	
Total amount expended on purchase and construction of canal to this date	$322,491,900.66
Amount expended to this date from proceeds of sales of bonds, including premiums	138,600,869.02
Balance expended out of general fund of Treasury, reimbursable from proceeds of bonds not yet sold	183,891,031.64
Total bonds authorized by existing laws for Panama Canal	375,200,980.00
Total bonds issued to this date	134,631,980.00
Balance of bonds authorized but not yet issued	240,569,000.00

Appendix B.

Abstract of reports of condition of national banks in the United States on Sept. 4 and Nov. 26, 1912, and Feb. 4, Apr. 4, and June 4, 1913.

	Sept. 4, 1912—7,397 banks.	Nov. 26, 1912—7,420 banks.	Feb. 4, 1913—7,425 banks.	Apr. 4, 1913—7,440 banks.	June 4, 1913—7,473 banks.
RESOURCES.					
Loans and discounts	$6,040,841,270.81	$6,058,982,029.40	$6,125,029,165.96	$6,178,096,379.33	$6,143,028,132.94
Overdrafts	20,168,074.45	26,493,061.24	22,307,066.94	20,077,156.00	19,006,152.02
United States bonds to secure circulation	724,085,520.00	728,482,810.00	730,754,970.00	730,424,030.00	735,226,870.00
United States bonds to secure United States deposits	46,228,460.00	46,165,400.00	47,406,310.00	47,598,470.00	47,061,690.00
Other bonds to secure United States deposits	32,479,536.18	33,029,494.25	34,742,462.12	37,524,380.29	43,597,929.58
United States bonds on hand	7,804,070.00	7,737,060.00	6,135,370.00	7,898,870.00	6,338,000.00
Premiums on United States bonds	7,092,456.00	7,059,551.81	6,722,651.98	7,014,837.88	6,876,636.89
Bonds, securities, etc	1,039,986,552.37	1,036,942,064.36	1,043,943,884.13	1,051,481,767.28	1,050,587,655.55
Banking house, furniture, and fixtures	240,046,311.47	245,796,890.28	246,629,609.78	248,570,244.17	248,888,953.95
Other real estate owned	28,459,029.88	29,078,950.21	32,070,676.15	31,934,222.55	31,332,948.16
Due from national banks (not reserve agents)	452,087,610.48	477,181,532.05	473,496,114.13	451,758,116.35	439,021,200.04
Due from State banks and bankers	188,829,543.88	218,289,353.55	209,294,468.18	194,311,338.05	194,990,066.54
Due from approved reserve agents	812,152,402.19	786,190,805.24	850,478,400.05	808,364,504.79	762,176,994.73
Checks and other cash items	37,342,814.74	34,100,567.74	36,722,041.76	32,680,725.17	37,092,245.76
Exchanges for clearing house	296,016,908.75	278,672,040.53	288,820,252.73	249,893,991.16	257,560,492.57
Bills of other national banks	48,592,300.00	46,118,234.00	49,747,626.00	47,751,533.00	51,538,808.00
Fractional currency, nickels, and cents	3,300,352.26	3,300,300.97	3,782,668.19	3,895,212.41	3,580,482.68
Specie	713,460,600.23	682,320,721.71	749,731,848.13	712,906,399.95	724,074,627.77
Legal-tender notes	182,490,494.00	176,778,016.00	183,685,383.00	175,377,336.00	189,908,013.00
Five per cent redemption fund	35,028,032.99	35,486,273.80	34,988,720.82	35,020,010.39	35,394,885.00
Due from Treasurer United States	6,908,419.67	7,583,460.54	9,109,576.42	9,394,808.69	9,636,971.86
Total	10,963,400,760.35	10,965,788,617.68	11,185,599,266.47	11,081,974,333.46	11,036,919,757.04
LIABILITIES.					
Capital stock paid in	1,046,012,580.00	1,045,092,580.00	1,048,899,055.00	1,052,265,581.53	1,056,919,792.00
Surplus fund	701,021,452.71	701,999,833.53	717,261,016.39	719,673,812.36	720,606,792.54
Undivided profits, less expenses and taxes	242,735,174.37	268,007,255.44	241,828,956.12	255,387,230.68	268,140,962.57
National-bank notes outstanding	713,823,118.00	721,502,185.50	717,467,661.50	718,976,684.00	722,125,024.00
State-bank notes outstanding	27,701.00	27,701.00	27,701.00	27,701.00	22,415.00
Due to other national banks	1,068,683,209.81	1,050,499,032.91	1,140,270,695.02	1,078,165,210.58	1,017,460,873.04
Due to State banks and bankers	539,959,859.28	542,198,410.84	578,390,641.93	562,561,795.33	528,264,904.42
Due to trust companies and savings banks	529,299,679.38	465,308,937.81	547,774,013.99	510,828,398.62	528,940,184.47
Due to approved reserve agents	39,545,913.62	43,799,304.63	44,154,947.07	40,790,134.91	45,885,609.76
Dividends unpaid	1,299,534.51	1,035,738.63	1,908,940.52	2,808,131.27	1,529,195.57
Individual deposits	5,891,670,007.00	5,944,561,069.91	5,985,432,295.62	5,968,787,045.04	5,953,461,551.12
United States deposits	47,259,053.42	33,594,143.22	39,360,041.72	39,886,857.14	43,118,218.05
Postal-savings deposits		15,649,315.87	17,008,709.60	17,687,643.16	18,661,875.47
Deposits of United States disbursing officers	11,968,274.98	12,692,478.24	6,664,962.19	6,316,019.43	6,606,821.08

Bonds borrowed	37,913,129.27	38,774,688.78	39,573,476.06	42,183,544.32	43,215,465.58
Notes and bills rediscounted	15,716,092.06	10,776,272.59	8,001,091.18	8,319,078.73	14,080,980.36
Bills payable	66,658,696.96	61,105,295.55	43,446,507.41	48,213,459.82	58,825,794.92
Reserved for taxes	6,674,012.38	7,447,975.40	4,749,175.46	5,724,293.54	7,030,644.10
Liabilities other than those above stated	3,133,271.60	1,716,397.83	3,379,378.69	3,371,712.00	2,022,652.99
Total	10,963,400,760.35	10,965,788,617.68	11,185,599,266.47	11,081,974,333.46	11,036,919,757.00

Changes in the principal items of resources and liabilities of national banks as shown by the returns on June 4, 1913, as compared with the returns on Apr. 4, 1913, and June 14, 1912.

Items.	Since Apr. 4, 1913.		Since June 14, 1912.	
	Increase.	Decrease.	Increase.	Decrease.
Loans and discounts	.....	$35,068,246.39	$189,123,701.09	.....
United States bonds	$2,705,190.00	.....	12,584,390.00	.....
Due from national banks, State banks and bankers, and reserve agents	.....	58,245,697.88	.....	$27,903,419.00
Specie	11,168,227.82	.....	.....	32,688,060.36
Legal tenders	14,530,677.00	.....	1,467,806.00	.....
Capital stock	4,654,210.47	.....	23,349,117.00	.....
Surplus and other profits	13,686,712.07	.....	37,920,240.46	.....
Circulation	3,148,340.00	.....	13,434,431.00	.....
Due to national and State banks and bankers	.....	71,793,967.75	.....	57,611,846.42
Individual deposits	.....	15,325,493.92	128,000,377.76	.....
United States Government deposits	3,522,162.56	.....	.....	[1] 9,220,941.53
Postal savings deposits	974,232.31	.....	.....	.....
Bills payable and rediscounts	16,374,236.73	.....	14,300,470.73	.....
Total resources	.....	45,054,576.42	175,155,879.89	.....

[1] Postal savings deposits eliminated from United States deposits.

Total number banks reporting June 14, 1912, 7,372; June 4, 1913, 7,473; increase, 101.

THOMAS P. KANE,
Acting Comptroller.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913.

States, Territories, and reserve cities.	Number of banks.	Resources.							
		Loans and discounts.	Overdrafts.	United States bonds to secure circulation.	United States bonds to secure deposits.	Other bonds to secure United States deposits.	United States bonds on hand.	Premium on United States bonds.	Securities, judgments, claims, etc.
Maine	69	$37,232,949.29	$50,678.67	$6,033,250	$308,000	$215,855.05	$13,000	$70,726.59	$14,510,502.63
New Hampshire	56	19,186,295.08	56,523.26	5,056,500	343,000	288,688.44	25,600	43,703.77	6,317,761.42
Vermont	49	18,456,571.80	72,649.18	4,512,500	207,900	117,663.75	.....	34,380.00	5,119,068.74
Massachusetts	163	134,038,075.52	90,968.01	20,009,000	379,100	988,554.31	21,600	102,296.58	28,800,555.44
Boston	17	200,240,665.93	34,800.25	8,557,000	783,000	654,606.25	.....	11,625.00	22,253,252.47
Rhode Island	20	29,765,080.46	8,025.36	4,722,500	291,000	155,477.50	.....	6,950.00	7,174,006.95
Connecticut	79	68,459,304.30	81,729.06	13,533,350	259,000	547,913.44	.....	14,476.36	15,286,687.35
New England States	453	507,378,942.38	395,373.79	62,424,100	2,571,000	2,968,758.74	60,200	284,158.30	99,461,835.00
New York	429	292,538,351.19	303,010.60	37,983,560	1,241,500	1,859,446 15	161,500	247,939.26	96,754,120.27
Albany	3	23,858,319.68	2,190.64	2,100.000	150,000	184,378.51	.....	.....	8,685,690.44
Brooklyn	6	17,439,699.96	903.84	1,037,000	171,000	550,992.35	.....	1,997.30	4,685,162.52
New York City	36	886,966,803.90	169,698.77	49,756,300	1,845,000	2,326,723.69	996,120	630,491.35	177,054,381.65
New Jersey	200	154,899,174.55	85,886.63	18,050,070	674,500	1,047,248.37	239,180	131,031.82	56,934,199.93
Pennsylvania	781	369,195,464.90	576,800.03	57,678,640	847,860	2,328,468.39	168,750	817,550.82	138,976,201.47
Philadelphia	32	223,191,185.64	5,629.28	11,947,000	685,000	724,083.75	1,000	350,718.17	36,545,751.02
Pittsburgh	23	144,855,983.38	32,416.93	17,374,000	847,000	1,840,068.40	66,000	481,846.62	44,422,822.11
Delaware	26	7,291,322.27	6,961.81	1,415,250	81,500	46,075.00	100	23,370.13	2,721,436.87
Maryland	89	30,958,603.22	50,917.44	4,399,740	123,500	69,879.45	25,760	57,767.96	10,993,281.48
Baltimore	16	63,381,488.20	24,371.08	8,249,000	980,500	146,500.00	.....	156,138.56	6,901,981.98
District of Columbia	1	920,822.62	97.66	250,000	1,000	205,380.00	.....	.....	356,501.25
Washington	11	25,341,167.86	29,697.86	5,690,000	317,000	4,321,878.61	51,100	182,967.41	5,543,619.49
Eastern States	1,653	2,240,838,387.37	1,288,582.57	215,930,560	7,965,360	15,651,122.67	1,709,510	3,081,819.40	590,575,150.48
Virginia	133	105,406,039.26	242,791.05	14,838,250	1,485,410	479,857.43	52,110	214,063.20	5,717,813.91
West Virginia	116	53,246,521.82	131,688.63	9,039,150	451,500	180,557.50	182,500	111,166.40	4,502,834.60
North Carolina	73	43,092,241.12	156,284.99	6,904,100	442,000	118,000.00	25,010	112,659.83	796,060.81
South Carolina	48	28,715,267.63	199,438.87	4,969,250	238,000	43,465.98	9,000	44,617.71	1,728,243.87
Georgia	116	61,671,439.62	494,769.12	11,153,000	585,500	112,293.75	10,000	94,165.20	1,018,911.10
Savannah	2	3,384,935.64	4,122.66	800,000	105,000	71,000.00	175,000	.....	26,205.00
Florida	52	35,879,645.10	65,077.65	6,048,750	464,000	140,155.00	49,000	33,768.62	3,402,947.32
Alabama	87	41,694,835.56	83,226.73	8,505,050	302,500	94,360.94	34,000	125,787.11	3,387,777.51
Mississippi	33	12,916,130.27	326,593.03	3,085,300	144,000	108,573.33	.....	15,164.58	2,043,326.33
Louisiana	26	18,028,234.23	286,493.72	2,571,250	34,000	19,777.50	89,000	47,774.56	926,325.04
New Orleans	5	24,101,549.51	279,248.25	3,270,000	403,000	66,152.50	.....	14,588.75	4,038,584.11

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Number of banks.	Resources.							
		Loans and discounts.	Overdrafts.	United States bonds to secure circulation.	United States bonds to secure deposits.	Other bonds to secure United States deposits.	United States bonds on hand.	Premium on United States bonds.	Securities, judgments, claims, etc.
Texas	481	$133,807,936.43	$1,466,597.18	$23,052,660	$1,304,000	$263,845.47	$119,270	$166,910.19	$3,907,631.58
Dallas	5	20,810,446.64	146,826.14	2,584,000	181,000	169,640.00	.....	694.80	896,527.90
Fort Worth	8	14,775,672.83	295,692.58	2,282,000	2,000	100,000.00	.....	10,500.00	373,598.13
Galveston	2	3,653,247.53	13,480.32	405,000	100,000	30,000.00	.....	3,493.75	122,624.43
Houston	6	26,467,433.58	460,330.19	4,500,000	110,000	125,000.00	1,000	9,200.98	1,127,264.90
San Antonio	7	10,236,131.84	152,420.63	2,115,000	323,000	55,000.00	9,740	833.06	191,000.00
Waco	5	6,652,497.47	26,827.50	1,500,000	40,000	.....	.....	11,500.00	20,791.90
Arkansas	49	21,128,105.47	315,204.67	2,984,510	217,500	61,442.50	10,410	18,972.37	848,782.85
Kentucky	136	48,330,389.15	335,456.12	11,701,000	766,600	226,408.78	211,670	39,487.50	2,973,251.70
Louisville	8	26,529,401.56	7,668.36	4,955,000	1,152,000	197,540.50	10,000	102,014.91	4,187,692.48
Tennessee	107	65,823,284.83	602,567.61	10,833,000	929,500	280,333.10	134,100	164,672.59	3,380,796.94
Southern States	1,505	806,351,387.09	6,092,806.00	138,096,270	9,780,510	2,943,404.28	1,121,810	1,342,036.11	45,618,992.41
Ohio	357	183,386,621.86	525,956.27	29,796,180	744,500	2,009,124.95	287,680	226,456.42	36,741,865.34
Cincinnati	8	55,135,546.21	4,683.77	7,526,600	1,214,500	730,000.00	97,240	28,455.64	11,720,444.89
Cleveland	7	61,864,003.73	52,607.38	5,702,500	627,000	130,000.00	100,000	12,500.00	5,498,766.78
Columbus	8	17,120,672.48	7,557.35	2,500,000	181,000	589,894.18	4,220	2,172.50	4,464,188.78
Indiana	249	109,303,007.05	452,135.36	19,594,920	1,778,000	948,625.96	337,430	160,110.69	16,572,532.04
Indianapolis	5	28,213,537.90	8,879.25	5,823,140	221,000	230,200.00	33,400	93,043.95	3,154,244.46
Illinois	448	184,472,430.63	1,549,291.14	28,100,010	2,936,500	1,599,886.48	225,650	191,641.16	31,029,172.62
Chicago	9	322,383,521.60	141,432.35	14,549,000	1,229,000	550,593.75	3,000	73,048.50	28,479,997.47
Michigan	96	73,978,881.34	124,436.54	8,609,750	532,820	1,035,467.46	26,580	15,180.91	16,664,621.48
Detroit	3	36,273,099.97	7,415.59	2,154,000	676,000	176,871.60	106,900	.....	4,686,298.11
Wisconsin	124	71,528,996.06	302,272.71	9,124,970	236,000	955,006.78	23,950	51,579.06	19,208,107.79
Milwaukee	5	45,328,969.26	40,698.14	4,117,000	202,000	1,283,940.00	.....	2,257.50	4,084,338.71
Minnesota	261	94,225,311.03	536,445.29	9,009,510	294,500	787,432.84	52,500	79,258.23	6,810,182.45
Minneapolis	6	58,430,471.13	22,447.86	1,995,000	311,000	180,950.00	.....	1,725.00	3,443,149.64
St. Paul	4	34,611,184.11	10,521.78	825,000	1,125,000	669,000.00	.....	1,250.00	5,980,900.63
Iowa	325	114,351,365.26	1,520,013.10	15,321,450	333,000	317,566.00	234,160	149,824.59	5,517,670.85
Cedar Rapids	3	8,545,533.32	7,331.42	525,000	41,000	8,000.00	.....	1,500.00	408,566.90
Des Moines	4	14,370,611.46	47,035.23	1,384,000	165,000	33,000.00	220	5,450.00	537,578.73
Dubuque	3	2,942,033.82	12,690.55	600,000	50,000	12,184.10	.....	1,837.50	484,433.75
Sioux City	5	9,795,311.62	25,959.47	875,000	137,000	22,000.00	500	1,010.00	1,115,985.56
Missouri	111	30,063,745.40	328,022.49	5,854,310	133,000	198,783.36	182,710	49,397.87	2,078,910.07
Kansas City	11	68,314,742.21	65,531.30	4,605,000	634,000	551,330.00	.....	19,532.50	2,908,812.49

St. Joseph	4	11,002,129.34	25,241.77	970,000	119,000	53,500.00	.....	.....	87,902.35
St. Louis	7	106,384,851.17	45,586.05	17,049,790	596,000	189,085.00	1,000	84,234.68	5,276,099.98
Middle Western States	2,063	1,742,026,577.96	5,864,192.16	196,612,130	14,516,820	13,262,442.46	1,717,140	1,251,466.70	216,954,771.87
North Dakota	144	31,449,390.17	184,932.55	3,971,770	280,000	83,035.12	120	24,837.17	1,091,014.33
South Dakota	103	27,246,642.21	230,610.29	3,283,300	360,500	220,864.75	75,400	23,372.30	1,811,102.25
Nebraska	228	55,524,637.04	681,158.85	8,657,760	107,500	207,598.51	56,920	31,421.13	1,224,620.14
Lincoln	4	6,116,458.37	68,216.51	930,500	81,000	87,522.89	1,000	2,250.00	31,944.86
Omaha	7	32,289,290.69	102,079.67	2,517,500	675,000	266,000.00	1,500	29,312.50	1,776,017.05
South Omaha	3	6,992,484.62	68,862.32	680,000	26,000	42,325.00	20,000	406.25	158,001.30
Kansas	205	55,994,817.76	447,409.75	8,899,740	621,000	436,756.86	104,520	34,972.85	3,634,152.34
Kansas City	2	4,136,110.74	2,543.63	399,000	1,000	151,500.00	.....	2,500.00	347,399.94
Topeka	3	2,342,586.08	2,545.69	325,000	388,000	20,000.00	1,000	42,548.96	575,729.14
Wichita	3	5,507,498.74	15,112.48	325,000	3,000	58,000.00	25,780	.....	396,983.58
Montana	57	28,922,026.34	233,703.46	3,306,450	849,500	595,858.35	25,000	27,777.17	1,734,460.24
Wyoming	30	12,206,706.14	190,395.91	1,537,550	294,000	57,542.40	4,000	6,430.45	530,181.46
Colorado	117	30,055,073.49	122,458.64	5,001,010	255,500	618,043.00	131,500	20,065.26	5,530,286.79
Denver	6	29,411,031.26	21,736.14	3,500,000	975,000	461,525.15	1,000	4,200.00	7,867,866.60
Pueblo	3	5,107,095.03	48,132.48	480,000	92,000	82,000.00	.....	1,450.28	1,988,266.28
New Mexico	40	13,106,114.04	49,031.19	1,679,000	306,000	47,030.00	.....	22,299.69	595,587.40
Oklahoma	314	48,850,445.39	555,952.41	8,404,310	415,400	121,458.30	24,640	31,614.06	3,795,941.32
Muskogee	5	4,343,147.86	32,056.06	675,000	150,000	5,000.00	.....	3,334.38	395,196.18
Oklahoma City	6	5,583,081.92	31,312.50	625,000	212,000	60,000.00	.....	12,850.00	1,453,151.21
Western States	1,280	405,184,637.89	3,088,250.23	55,197,890	6,092,400	3,622,060.33	472,380	321,642.45	34,937,902.41
Washington	64	23,781,782.37	102,488.50	2,584,850	365,000	625,325.20	1,500	5,880.00	2,837,163.54
Seattle	6	27,606,940.58	27,109.65	1,589,000	1,200,000	302,000.00	4,600	28,565.58	3,846,631.60
Spokane	5	15,793,244.90	62,544.77	2,800,000	208,500	42,500.00	.....	12,600.61	1,383,248.79
Tacoma	2	5,962,845.71	8,184.55	500,000	200,000	390,000.00	.....	.....	646,208.94
Oregon	78	23,098,138.37	144,613.81	3,520,260	205,500	365,126.65	53,780	24,837.46	3,077,706.49
Portland	5	23,006,217.67	23,368.05	2,900,000	795,000	392,368.80	600,000	31,812.50	4,413,028.05
California	235	105,084,001.23	637,738.91	17,066,800	460,200	1,242,904.80	153,480	137,168.84	21,350,588.43
Los Angeles	8	49,884,164.00	196,044.02	5,070,000	357,000	124,000.00	213,600	17,792.44	4,096,446.66
San Francisco	9	117,454,717.35	246,463.23	21,950,000	841,000	694,110.40	185,000	271,501.51	15,973,938.62
Idaho	54	16,386,392.25	130,459.64	2,772,500	308,000	253,572.84	10,000	20,862.29	1,698,509.50
Utah	17	6,890,501.84	162,373.87	923,250	102,000	94,282.50	.....	400.00	661,575.46
Salt Lake City	6	11,913,019.00	372,322.50	2,400,000	290,000	36,336.05	25,000	20,032.64	1,242,309.98
Nevada	11	5,809,039.64	72,814.05	1,579,000	57,000	188,052.86	.....	13,450.42	762,619.55
Arizona	13	6,363,404.67	55,950.35	941,510	261,000	111,000.00	10,000	9,016.09	833,383.08
Alaska[1]	2	432,709.43	2,996.53	62,500	250,000	.....	.....	1,000.00	54,291.10
Pacific States	515	439,467,119.01	2,245,472.43	66,659,670	5,900,200	4,861,580.10	1,256,960	594,920.38	62,877,649.79
Hawaii	4	1,781,081.24	31,474.84	306,250	235,400	288,561.00	.....	593.55	161,353.59
Total United States	7,473	6,143,028,132.94	19,006,152.02	735,226,870	47,061,690	43,597,929.58	6,338,000	6,876,636.89	1,050,587,655.55

[1] One report for Apr. 4, 1913.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Number of banks.	Resources—Continued.						
		Banking-house furniture and fixtures.	Other real estate and mortgages owned.	Due from other national banks.	Due from State and private banks and bankers.	Due from approved reserve agents.	Checks and other cash items.	Exchanges for clearing house.
Maine	69	$1,091,711.08	$69,365.22	$270,620.26	$170,695.92	$5,167,379.61	$208,455.11	$185,370.79
New Hampshire	56	577,744.95	94,145.93	391,555.44	100,947.77	3,946,833.51	367,139.13	.....
Vermont	49	458,368.72	23,000.00	213,333.48	32,334.36	2,483,563.63	167,432.75	.....
Massachusetts	163	5,354,989.89	249,235.91	1,336,206.58	352,420.33	18,114,067.50	659,672.18	366,833.04
Boston	17	6,451,855.88	18,870.18	17,700,578.80	8,643,918.64	39,524,391.18	916,751.55	12,767,267.92
Rhode Island	20	531,017.44	16,274.39	384,903.25	299,310.03	3,531,367.33	27,502.51	262,701.12
Connecticut	79	4,757,317.17	139,640.02	1,434,633.03	471,916.01	11,666,920.96	541,145.91	515,398.26
New England States	453	19,223,005.13	610,531.65	21,731,830.84	10,071,543.06	84,434,523.72	2,888,099.14	14,097,571.13
New York	429	7,398,430.83	1,023,881.76	5,412,459.37	6,218,080.09	43,977,711.99	1,107,209.71	1,142,319.16
Albany	3	578,000.00	45,935.68	10,560,225.28	2,670,795.54	6,510,868.28	74,049.90	267,498.33
Brooklyn	6	627,053.68	29,052.75	343,991.11	323,597.59	2,891,819.50	296,697.01	1,094,081.65
New York City	36	30,357,838.13	1,141,138.09	58,647,282.69	27,893,343.17	.....	5,988,222.65	148,523,231.21
New Jersey	200	8,852,608.34	1,087,675.11	5,110,800.53	4,143,376.14	24,358,143.00	1,207,468.12	1,417,825.53
Pennsylvania	781	22,132,457.15	2,936,790.04	5,385,591.10	1,916,372.44	58,321,033.11	1,793,203.09	739,661.70
Philadelphia	32	6,688,085.17	616,639.26	35,213,599.55	11,634,100.98	42,439,416.06	2,561,842.25	19,616,174.61
Pittsburgh	23	15,426,718.92	2,851,695.32	11,039,189.69	3,966,253.07	23,680,110.42	346,161.28	5,947,347.52
Delaware	26	538,191.03	83,398.86	162,227.30	74,505.55	1,020,408.36	13,868.26	38,607.84
Maryland	89	1,811,976.53	90,325.74	503,678.00	301,478.26	4,357,085.61	161,761.68	9,973.94
Baltimore	16	2,780,350.88	559,185.41	7,387,745.66	1,589,310.91	8,213,142.29	423,996.72	3,720,390.65
District of Columbia	1	31,500.00	.....	9,951.77	.....	156,206.09	3,908.46	8,248.41
Washington	11	3,181,700.15	7,614.32	2,816,936.01	1,136,435.41	3,365,553.11	349,825.05	1,034,104.94
Eastern States	1,653	100,404,910.81	10,473,332.34	142,593,678.06	61,867,649.15	219,291,497.82	14,328,214.18	183,559,465.49
Virginia	133	4,142,185.68	334,459.83	5,188,110.21	1,738,597.73	9,006,479.99	467,474.82	1,017,233.01
West Virginia	116	3,491,887.97	392,969.69	2,625,513.17	704,686.41	7,268,062.54	286,422.34	145,303.63
North Carolina	73	1,825,046.78	234,101.12	3,421,773.39	1,485,344.70	2,544,024.33	403,050.87	65,138.01
South Carolina	48	951,449.30	131,556.43	1,355,119.07	719,871.31	1,652,787.28	190,279.35	420,579.02
Georgia	116	3,313,967.12	287,123.23	2,430,667.14	2,075,969.91	5,034,482.72	344,097.97	1,313,715.95
Savannah	2	34,673.02	.....	233,579.69	144,050.40	169,296.82	2,208.68	30,146.55
Florida	52	2,070,687.72	188,825.25	4,009,777.03	1,674,702.40	5,101,664.43	248,378.69	576,775.77
Alabama	87	1,980,012.71	290,390.36	2,368,755.70	930,134.46	4,569,868.69	192,501.77	379,076.76
Mississippi	33	893,565.91	120,520.92	456,052.02	764,028.67	2,269,763.16	84,359.57	33,888.72
Louisiana	26	985,523.24	150,152.36	857,566.62	516,387.15	1,826,487.53	115,527.63	109,774.48
New Orleans	5	2,430,604.25	36,304.62	1,255,665.06	2,254,193.82	3,429,254.66	81,023.59	2,184,356.09

Texas	481	6,462,045.37	1,708,391.37	7,386,390.85	4,350,451.92	22,835,688.53	1,623,515.03	600,864.90
Dallas	5	876,505.89	49,706.00	3,077,750.38	527,291.55	2,464,311.25	398,043.39	336,353.10
Fort Worth	8	1,052,372.58	113,453.71	2,799,793.03	357,400.87	2,011,136.09	240,066.16	765,387.11
Galveston	2	244,688.50	58,765.66	433,701.12	154,085.65	638,839.40	34,120.54	32,254.81
Houston	6	2,514,235.47	507,214.99	3,064,896.25	1,143,434.71	3,868,900.58	219,428.51	421,811.58
San Antonio	7	358,671.10	137,305.29	1,123,427.79	580,091.77	1,723,606.66	147,130.11	343,712.12
Waco	5	82,077.54	----------	747,265.74	168,945.12	585,077.80	26,829.89	61,356.96
Arkansas	49	611,498.34	230,396.85	1,374,192.92	941,726.06	3,088,554.11	142,113.12	338,833.43
Kentucky	136	2,340,548.29	280,543.01	694,881.69	348,623.52	5,609,022.38	329,818.78	116,867.42
Louisville	8	315,807.80	114,811.46	2,528,621.64	950,815.52	4,306,349.32	88,315.25	889,319.56
Tennessee	107	3,239,374.26	474,716.25	5,718,809.65	1,668,101.79	7,097,474.81	743,776.65	1,169,150.44
Southern States	1,505	40,217,428.84	5,841,708.40	53,152,310.16	24,198,935.44	97,101,133.08	6,408,482.71	11,351,899.42
Ohio	357	7,542,836.22	1,147,671.56	4,010,366.60	2,000,913.18	28,732,658.12	758,448.77	743,732.43
Cincinnati	8	3,295,366.52	112,483.52	6,455,704.89	1,375,219.10	7,753,162.90	81,716.72	906,774.00
Cleveland	7	1,273,956.84	34,980.50	8,673,003.44	3,481,327.46	8,793,777.24	163,165.66	1,034,550.43
Columbus	8	950,553.93	56,246.02	2,219,729.97	318,677.63	2,748,037.57	67,883.26	442,155.20
Indiana	249	3,572,319.11	524,757.32	2,718,845.61	973,136.96	19,719,441.90	586,193.31	331,197.30
Indianapolis	5	1,257,765.61	----------	4,665,042.58	1,937,821.14	5,636,517.94	1,049,632.40	1,140,991.73
Illinois	448	7,256,323.91	1,155,187.65	4,207,219.31	2,715,511.87	30,984,590.63	925,158.26	730,537.59
Chicago	9	2,008,276.75	43,847.00	58,354,766.19	15,034,601.81	----------	649,430.47	16,455,721.50
Michigan	96	3,330,808.71	290,946.37	1,246,258.24	1,510,154.79	8,919,268.93	199,828.18	352,256.51
Detroit	3	170,000.00	70,000.00	5,070,993.60	2,801,328.32	7,351,915.94	71,473.55	816,974.12
Wisconsin	124	2,733,147.86	147,786.77	826,946.23	995,565.35	12,617,724.98	379,967.25	82,418.28
Milwaukee	5	544,831.40	45,915.90	2,904,344.16	1,873,744.23	6,840,216.47	168,564.49	940,975.00
Minnesota	261	3,688,944.98	1,293,391.32	3,903,575.60	1,220,697.30	15,209,093.23	474,613.15	202,113.05
Minneapolis	6	1,198,934.45	----------	6,924,823.53	3,131,974.47	6,329,513.27	86,774.70	2,488,852.19
St. Paul	4	347,894.00	----------	1,924,189.22	1,607,122.50	4,974,393.17	231,476.47	963,061.60
Iowa	325	4,245,999.16	937,066.18	3,522,976.01	1,450,649.15	17,324,646.55	697,268.66	283,214.85
Cedar Rapids	3	174,634.03	----------	707,681.06	315,079.84	1,245,604.96	62,017.18	133,138.50
Des Moines	4	192,000.00	62,130.04	1,439,678.47	257,083.96	2,174,212.36	15,042.90	233,559.97
Dubuque	3	82,761.69	18,444.41	150,676.72	82,279.55	541,177.57	37,378.97	33,722.17
Sioux City	5	271,933.33	900.00	1,053,555.91	718,414.78	1,729,223.57	88,456.04	195,482.86
Missouri	111	1,437,417.84	303,291.34	888,412.98	856,907.72	5,856,899.31	262,712.84	90,126.90
Kansas City	11	1,398,940.79	21,000.00	7,976,726.89	5,558,415.63	12,467,122.07	899,092.10	2,504,900.67
St. Joseph	4	185,116.00	----------	1,946,118.14	524,825.22	2,262,155.91	92,990.33	675,606.53
St. Louis	7	5,565,128.16	358,607.43	27,609,664.62	7,380,372.17	----------	177,544.24	3,250,878.90
Middle Western States	2,063	52,725,891.29	6,624,653.33	159,401,299.97	58,121,824.13	210,211,354.59	8,226,829.90	35,033,542.28
North Dakota	144	1,632,313.64	732,809.86	1,481,447.10	515,508.08	4,832,598.88	167,616.71	73,952.16
South Dakota	103	1,418,133.00	235,014.01	1,360,422.94	390,414.24	5,341,512.03	175,721.56	88,958.25
Nebraska	228	2,366,173.25	410,180.72	1,377,881.82	394,170.76	9,805,630.19	282,586.26	111,644.63
Lincoln	4	459,310.30	29,089.39	1,034,154.88	165,401.55	572,693.81	67,218.31	191,819.02
Omaha	7	1,411,423.67	13,013.35	3,997,502.29	1,877,605.06	5,301,112.46	423,528.70	1,064,361.26
South Omaha	3	89,500.00	13,351.49	1,311,900.89	531,197.72	2,049,528.00	618,832.59	872,939.22
Kansas	205	2,190,006.48	400,133.66	1,791,996.01	920,527.56	13,045,599.23	245,575.53	113,137.44
Kansas City	2	146,000.00	15,155.81	1,136,134.56	380,950.49	565,833.19	8,223.13	50,186.83
Topeka	3	28,051.87	11,907.75	755,095.28	32,209.67	471,374.83	14,761.00	59,429.55
Wichita	3	152,485.56	----------	1,734,460.92	108,181.01	974,784.71	12,025.14	142,713.45
Montana	57	1,070,779.15	333,154.69	1,908,054.89	1,076,298.30	7,398,751.84	93,471.94	211,604.70

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Number of banks.	Resources—Continued.						
		Banking-house furniture and fixtures.	Other real estate and mortgages owned.	Due from other national banks.	Due from State and private banks and bankers.	Due from approved reserve agents.	Checks and other cash items.	Exchanges for clearing house.
Wyoming	30	$492,904.84	$95,632.53	$581,306.87	$205,282.65	$1,877,514.95	$46,777.32	$28,627.18
Colorado	117	1,232,256.58	585,400.33	1,122,233.60	578,155.83	8,487,813.89	145,764.39	116,000.43
Denver	6	303,132.76	293,849.62	4,309,537.10	1,655,524.58	4,933,629.06	171,776.99	1,218,263.12
Pueblo	3	54,756.96	107,804.42	1,570,561.12	68,732.46	1,015,559.02	38,838.29	51,116.62
New Mexico	40	668,931.45	185,430.97	1,354,284.96	253,997.96	2,356,893.79	107,902.87	95,586.65
Oklahoma	314	2,893,192.27	523,967.81	3,962,013.22	583,141.02	12,277,466.64	295,819.69	195,285.12
Muskogee	5	78,200.00	58,659.64	572,882.40	35,259.86	544,044.78	11,337.69	86,728.92
Oklahoma City	6	165,815.53	78,184.89	1,635,174.24	186,731.08	1,228,710.28	114,995.61	85,488.10
Western States	1,280	16,853,367.31	4,122,740.94	32,997,045.09	9,964,289.88	83,081,051.58	3,042,773.72	4,857,842.65
Washington	64	1,242,145.08	439,901.25	365,348.58	682,657.62	5,958,983.40	135,028.87	100,784.61
Seattle	6	232,001.00	169,297.44	2,709,567.76	2,091,370.28	4,595,029.89	130,877.74	794,424.93
Spokane	5	1,212,648.68	204,829.61	1,174,445.26	1,005,551.34	2,066,643.87	25,793.76	267,731.72
Tacoma	2	256,000.00	171,857.39	496,226.58	178,791.68	909,944.47	7,052.02	136,847.09
Oregon	78	1,941,614.61	294,106.58	492,838.47	529,646.63	5,263,195.94	153,855.33	40,274.05
Portland	5	333,958.97	26,904.57	2,940,207.95	989,746.67	2,850,657.19	161,300.16	1,187,730.86
California	235	6,276,703.85	690,486.04	2,726,560.21	1,806,132.31	18,021,544.76	494,873.81	777,323.15
Los Angeles	8	745,863.45	95,722.07	5,315,616.80	2,649,785.74	5,223,311.13	426,252.62	1,828,743.58
San Francisco	9	4,685,944.19	891,943.66	9,760,472.38	18,725,416.88	14,043,172.73	276,708.63	2,952,992.26
Idaho	54	1,024,485.21	330,921.14	657,872.63	508,876.23	2,978,189.09	127,699.44	81,002.97
Utah	17	424,252.19	112,322.48	270,355.83	277,974.77	965,668.34	10,709.62	78,482.91
Salt Lake City	6	407,824.04	19,078.97	1,451,279.07	736,497.53	1,201,749.11	70,875.90	346,410.77
Nevada	11	131,592.46	126,517.79	183,643.26	54,507.92	1,221,485.30	13,041.17	7,980.73
Arizona	13	486,269.84	72,568.06	588,421.79	386,533.16	2,440,067.80	121,277.50	59,441.97
Alaska [1]	2	13,000.00	5,074.45	8,862.90	14,784.02	169,219.60	8,334.86	.....
Pacific States	515	19,414,303.57	3,651,531.50	29,141,719.47	30,638,272.78	67,908,862.62	2,163,681.43	8,660,171.60
Hawaii	4	50,047.00	8,450.00	3,316.45	127,552.10	148,571.32	34,164.68	.....
Total United States	7,473	248,888,953.95	31,332,948.16	439,021,200.04	194,990,066.54	762,176,994.73	37,092,245.76	257,560,492.57

[1] One report for Apr. 4, 1913.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Number of banks.	Resources—Continued.						
		Bills of other national banks.	Fractional paper currency, nickels, and cents.	Specie.	Legal-tender notes.	Five per cent redemption fund.	Due from United States Treasurer.	Aggregate.
Maine	69	$401,467	$18,382.00	$2,707,203.14	$523,821	$293,212.50	$3,002.50	$69,545,648.36
New Hampshire	56	300,291	17,483.63	1,203,184.82	494,699	241,175.00	3,200.00	39,056,472.15
Vermont	49	112,823	11,129.69	936,698.29	397,258	208,375.00	10,700.00	33,575,750.39
Massachusetts	163	1,595,227	112,442.45	6,889,509.86	3,814,364	978,500.00	70,400.00	224,324,018.60
Boston	17	1,628,531	87,163.35	26,634,789.70	4,790,952	427,900.00	899,000.00	353,026,920.10
Rhode Island	20	279,306	20,024.26	1,498,255.47	506,956	228,125.00	127,500.00	49,836,283.07
Connecticut	79	987,121	46,382.10	4,081,227.41	1,500,282	663.692.50	154,555.00	125,142,691.88
New England States	453	5,304,766	313,007.48	43,950,868.69	12,028,332	3,040,980.00	1,268,357.50	894,507,784.55
New York	429	2,302,465	184,328.66	19,356,594.96	6,479,357	1,822,403.00	209,999.00	527,724,668.00
Albany	3	237,656	7,137.53	2,555,290.16	1,782,316	105,000.00	.....	60,375,351.97
Brooklyn	6	124,007	25,741.67	2,914,784.75	708,296	51,850.00	65,000.00	33,382,728.68
New York City	36	2,340,064	142,299.12	242,056,036.02	50,461,912	2,477,065.00	3,170,693.46	1,692,944,644.90
New Jersey	200	1,078,283	131,949.24	9,606,742.35	4,299,547	894,353.50	104,907.50	294,354,970.66
Pennsylvania	781	4,108,722	300,360.47	25,493,408.19	8,607,441	2,719,687.50	143,737.44	705,188,200.84
Philadelphia	32	970,810	105,546.41	31,496,161.60	3,074,667	595 350.00	610.800.00	429,074,560.75
Pittsburgh	23	1,678,301	90,179.39	18,553,115.55	4,581,749	831.547.50	522,000.00	299,434,506.10
Delaware	26	58,439	11,310.43	496,074.75	172.844	63,512.00	12,800.00	14,332,203.46
Maryland	89	166,263	26,365.18	1,822,971.08	707,996	207,511.10	6,032.50	56,852,868.17
Baltimore	16	455,495	39,980.46	4,798,924.65	616,505	412,450.00	45,000.00	110,882,457.45
District of Columbia	1	1,200	198.51	74,710.00	12,640	12,500.00	.....	2,044,864.77
Washington	11	82,565	9,230.49	2,467,826.22	365,847	284,500.00	.....	56,579,568.93
Eastern States	1,653	13,604,270	1,074,627.56	361,692,640.28	81,871,117	10,478,729.60	4,890,969.90	4,283,171,594.68
Virginia	133	606,460	65,895.11	4,336,892.86	1,784,290	676,614.95	103,701.50	157,904,730.54
West Virginia	116	670,385	44,891.34	3,254,723.37	845,649	436,385.00	24,911.00	88,037,709.41
North Carolina	73	197,341	30,069.26	1,444,257.36	622,285	317,895.00	17,933.28	64,254,616.85
South Carolina	48	205,140	29,456.63	818,543.95	342,667	237,692.50	23,248.70	43,025,674.60
Georgia	116	718,375	73,747.14	2,433,230.70	1,004,150	530,711.00	110,284.80	94,810,601.47
Savannah	2	36,900	2,178.23	164,097.00	8,334	40,000.00	4,002.50	5,435,730.19
Florida	52	529,217	25,343.98	2,008,966.84	803,460	284,145.00	1,600.00	63,606,887.80
Alabama	87	1,021,182	41,129.29	2,840,797.90	351,107	393,942.50	29,251.00	69,615,687.99
Mississippi	33	100,549	15,924.39	851,332.90	211,230	144,613.80	6,303.00	24,591,219.60
Louisiana	26	132,096	17,585.82	1,038,305.50	62,939	127,662.50	30.00	27,942,892.88
New Orleans	5	101,169	11,328.79	2,404,338.65	357,721	163,500.00	15,000.00	46,897,582.65

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Number of banks.	Resources—Continued.						
		Bills of other national banks.	Fractional paper currency, nickels, and cents.	Specie.	Legal-tender notes.	Five per cent redemption fund.	Due from United States Treasurer.	Aggregate.
Texas	481	$1,613,677	$143,089.49	$8,167,572.69	$1,878,146	$1,107,767.50	$27,249.50	$221,993,701.00
Dallas	5	245,788	8,298.68	1,892,234.00	382,658	129,200.00	16,002.50	35,193,278.22
Fort Worth	8	130,520	19,906.45	1,286,698.25	658,780	109,100.00	.....	27,384,077.79
Galveston	2	63,880	1,998.08	904,168.55	115,920	20,250.00	7,000.00	7,037,518.34
Houston	6	597,440	40,378.63	2,493,811.25	783,555	225,000.00	9,300.00	48,689,636.62
San Antonio	7	237,156	14,027.82	1,627,292.95	318,795	80,750.00	.....	19,775,092.14
Waco	5	76,895	6,815.56	752,606.88	130,640	62,900.00	3,255.00	10,956,282.36
Arkansas	49	176,359	21,012.33	1,138,083.40	289,394	146,445.50	.....	34,083,536.92
Kentucky	136	524,931	29,666.24	2,664,819.55	591,007	506,117.50	13,506.00	78,634,615.63
Louisville	8	337,926	10,227.84	2,520,543.00	794,477	247,750.00	57,852.00	50,304,134.20
Tennessee	107	1,093,287	49,194.67	3,881,762.25	1,740,062	508,850.00	31,050.40	109,563,865.24
Southern States	1,505	9,416,673	702,165.77	48,925,079.80	14,077,266	6,497,292.75	501,481.18	1,329,739,072.44
Ohio	357	2,791,309	120,918.77	11,855,381.70	4,361,617	1,401,516.55	84,453.28	319,270,208.02
Cincinnati	8	301,725	11,866.66	6,045,256.80	1,995,295	373,025.00	11,300.00	105,176,366.62
Cleveland	7	857,449	17,500.75	7,533,008.95	2,156,250	285,125.00	215,500.00	108,506,973.16
Columbus	8	222,520	13,148.26	2,315,052.05	832,214	119,750.00	45,509.00	35,221,182.18
Indiana	249	1,431,045	85,130.50	8,015,040.07	2,248,950	935,145.40	29,313.83	190,317,277.41
Indianapolis	5	775,510	14,519.36	3,450,033.05	1,519,575	290,107.00	15,400.00	59,530,361.37
Illinois	448	1,663,064	138,937.76	12,699,435.76	3,445,501	1,292,975.00	34,005.00	317,353,029.77
Chicago	9	1,291,480	95,637.54	55,424,322.60	32,144,176	727,450.00	1,464,000.00	551,103,303.53
Michigan	96	789,342	47,512.95	5,204,449.85	1,847,991	416,135.00	33,007.50	125,176,297.76
Detroit	3	377,829	20,425.66	3,104,755.00	2,962,202	107,650.00	188,500.00	67,194,632.46
Wisconsin	124	684,722	48,851.35	4,972,972.85	1,165,149	440,698.50	6,229.50	126,533,062.32
Milwaukee	5	110,834	18,387.55	4,480,274.40	1,185,025	205,850.00	69,300.00	74,447,466.21
Minnesota	261	664,456	58,142.43	5,831,883.38	995,488	440,923.00	33,312.50	145,811,773.78
Minneapolis	6	401,490	14,848.98	5,862,567.95	1,378,277	99,750.00	221,616.00	92,524,166.17
St. Paul	4	254,635	12,855.72	3,995,373.10	1,192,933	41,250.00	116,670.00	58,884,710.30
Iowa	325	793,996	69,754.10	6,382,245.20	1,690,602	737,727.71	11,205.00	175,892,400.37
Cedar Rapids	3	38,043	8,508.85	629,888.30	226,145	26,250.00	.....	13,103,922.36
Des Moines	4	94,020	4,234.62	1,491,798.40	345,705	65,447.50	5,000.00	22,922,808.64
Dubuque	3	27,479	1,630.08	304,046.05	139,511	25,450.00	.....	5,547,736.93
Sioux City	5	68,035	5,465.80	1,112,821.90	343,175	43,750.00	.....	17,603,980.84
Missouri	111	256,656	31,494.08	1,673,079.04	614,446	282,312.75	107.50	51,442,743.49
Kansas City	11	538,475	65,303.69	7,233,941.95	1,799,859	222,850.00	58,500.00	117,844,076.29

St. Joseph	4	56,153	5,304.61	1,313,012.90	194,388	45,897.50	5,000.00	19,564,341.60
St. Louis	7	707,591	24,163.50	17,342,171.90	8,199,971	768,319.50	117,000.00	201,128,059.30
Middle Western States	2,063	15,197,858	934,543.57	178,272,813.15	72,984,445	9,395,355.41	2,764,929.11	3,002,100,880.88
North Dakota	144	141,212	25,660.06	1,795,198.05	371,247	196,238.35	12,511.08	49,063,412.31
South Dakota	103	215,276	24,917.96	1,971,587.85	345,655	157,015.00	1,775.90	44,978,195.54
Nebraska	228	394,213	32,762.83	3,318,115.30	500,178	418,238.00	2,550.00	85,905,940.43
Lincoln	4	42,458	4,869.24	555,309.80	282,388	46,525.00	.....	10,770,129.93
Omaha	7	213,328	7,101.84	3,972,877.60	1,089,280	125,872.50	21,502.50	57,175,209.14
South Omaha	3	65,905	2,388.17	624,156.10	300,223	30,650.00	.....	14,498,651.67
Kansas	205	654,234	47,461.42	3,945,511.70	803,354	435,496.89	765.99	94,767,169.17
Kansas City	2	48,060	1,491.87	563,533.35	50,510	19,950.00	.....	8,026,083.54
Topeka	3	47,990	2,759.31	407,627.85	73,980	15,000.00	.....	5,617,596.98
Wichita	3	104,670	3,258.41	645,730.85	65,580	11,047.50	22,000.00	10,308,312.35
Montana	57	375,451	21,347.16	3,183,374.62	362,759	161,572.50	3,240.25	51,894,635.60
Wyoming	30	116,596	6,233.22	966,903.18	88,861	71,425.00	5.00	19,404,876.10
Colorado	117	356,728	27,073.22	2,821,813.40	508,763	246,248.00	9,100.00	57,971,287.85
Denver	6	678,204	16,907.00	5,746,566.05	1,322,640	175,000.00	61,000.00	63,128,389.43
Pueblo	3	67,663	1,372.64	985,487.40	73,442	23,300.00	.....	11,857,580.00
New Mexico	40	89,929	7,433.14	1,029,974.65	162,032	83,200.00	3,450.00	22,204,109.76
Oklahoma	314	537,174	67,778.74	3,350,215.85	593,440	394,095.00	55,914.98	87,934,265.82
Muskogee	5	78,802	4,050.63	551,343.55	85,500	33,750.00	.....	7,744,293.95
Oklahoma City	6	168,378	8,924.34	882,587.00	241,405	29,500.00	.....	12,803,289.70
Western States	1,280	4,396,273	313,791.20	37,317,914.15	7,321,237	2,674,123.74	193,815.70	716,053,429.27
Washington	64	133,297	22,491.40	2,168,610.55	99,405	129,242.50	424.00	41,782,309.47
Seattle	6	167,250	32,609.55	4,463,463.35	75,909	79,450.00	2.50	50,146,100.85
Spokane	5	177,557	11,612.30	2,405,014.25	61,400	140,000.00	.....	29,055,866.86
Tacoma	2	23,742	4,271.64	1,195,806.75	19,012	25,000.00	.....	11,131,790.82
Oregon	78	143,525	17,666.91	2,758,554.78	39,308	174,783.00	1,339.47	42,340,671.55
Portland	5	130,465	17,476.39	4,751,021.05	34,175	145,000.00	.....	45,730,438.88
California	235	769,561	60,236.02	9,915,420.76	344,911	836,840.00	10,652.50	188,864,127.62
Los Angeles	8	1,064,051	25,362.84	6,253,137.15	493.030	253,500.00	.....	84,333,423.50
San Francisco	9	484,747	27,726.29	14,009,510.62	146,239	1,097,500.00	.....	224,719,104.75
Idaho	54	104,404	9,914.17	1,560,811.60	71,939	138,262.50	.....	29,174,674.50
Utah	17	16,910	2,527.08	514,134.35	44,489	46,162.50	.....	11,59 ,372.74
Salt Lake City	6	101,258	3,355.29	1,721,015.30	65,000	98,500.00	.....	22,521,864.15
Nevada	11	147,766	2,300.86	614,037.40	15,710	78,950.00	.....	11,079,509.41
Arizona	13	131,750	3,872.77	741,023.45	97,999	47,075.50	5,000.00	13,766,565.03
Alaska[1]	2	22,410	388.45	304,801.29	17,060	3,125.00	.....	1,370,557.63
Pacific States	515	3,618,693	241,811.96	53,376,362.65	1,625,586	3,293,391.00	17.418.47	807,615,377.76
Hawaii	4	275	535.14	538.949.05	30	15,012.50	.....	3,731,617.46
Total United States	7,473	51,538,808	3,580,482.68	724,074,627.77	189,908,013	35,394,885.00	9,636,971.86	11,036,919,757.04

[1] One report for Apr. 4 1913.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Liabilities.								
	Capital stock paid in.	Surplus fund.	Undivided profits, less expenses.	National-bank notes outstanding.	Due to other national banks.	Due to State and private banks and bankers.	Due to trust companies and savings banks.	Due to approved reserve agents.	Dividends unpaid.
Maine	$7,740,000.00	$3,756,000.00	$2,696,093.79	$5,900,757.50	$239,018.78	$5,989.35	$1,224,598.11	$181,979.96	$10,907.49
New Hampshire	5,285,000.00	3,369,400.00	1,364,041.96	4,966,927.50	390,883.13	7,667.49	2,008,806.09	505,147.55	10,541.82
Vermont	4,985,000.00	2,077,101.95	1,911,809.96	4,449,937.50	86,338.61	878.44	1,048,094.52	15,225.95	3,812.33
Massachusetts	29,842,500.00	18,014,225.00	10,062,634.05	19,643,032.50	726,440.85	425,821.04	6,653,065.89	1,605,222.41	32,170.68
Boston	28,200,000.00	19,881,000.00	13,924,928.08	8,410,702.50	35,499,978.26	4,561,868.08	36,841,135.53	7,527,474.12	6,897.08
Rhode Island	6,320,000.00	4,393,100.00	2,464,252.10	4,625,202.50	351,145.69	93,628.10	1,660,965.64	432,861.71	4,091.03
Connecticut	19,314,200.00	12,111,800.00	5,889,916.37	13,169,135.00	937,731.45	329,811.93	3,590,163.70	754,886.80	20,058.10
New England States	101,686,700.00	63,602,626.95	38,313,676.31	61,165,695.00	38,231,536.77	5,425,664.43	53,026,829.48	11,022,798.50	88,478.53
New York	48,742,600.00	35,114,550.00	14,380,673.92	37,384,430.00	5,351,908.58	4,679,537.20	10,894,040.99	3,582,718.64	328,303.70
Albany	2,100,000.00	2,200,000.00	660,588.92	2,070,497.50	21,527,413.79	3,078,428.89	8,505,764.68	2,622,408.62	1,533.50
Brooklyn	2,252,000.00	2,700,000.00	994,300.25	1,023,050.00	254,234.42	183,053.79	5,595,567.52	127,103.01	656.00
New York City	119,700,000.00	129,105,000.00	47,336,789.37	48,013,312.50	320,991,594.73	103,117,052.40	205,246,651.64	.....	121,151.72
New Jersey	22,292,000.00	22,930,923.34	11,244,265.05	17,641,197.50	4,506,184.30	1,351,042.33	10,139,910.97	3,440,623.27	31,909.00
Pennsylvania	67,624,040.00	73,064,949.80	17,094,001.19	56,599,586.50	2,896,004.26	1,317,101.44	3,065,686.88	943,014.20	142,273.88
Philadelphia	22,055,000.00	39,760,000.00	5,318,163.14	11,823,682.50	75,108,056.56	15,609,826.72	50,265,626.24	13,814,442.42	26,019.25
Pittsburgh	29,300,000.00	24,314,000.00	5,452,703.37	17,102,087.50	46,900,484.19	8,844,125.67	30,123,604.08	2,765,568.61	17,726.33
Delaware	1,723,975.00	1,559,600.00	540,879.48	1,396,655.00	181,305.28	23,817.08	332,048.88	66,676.77	827.88
Maryland	5,192,000.00	3,834,301.78	1,367,567.06	4,326,437.50	529,920.25	83,273.13	120,346.75	93,070.55	11,693.63
Baltimore	11,790,710.00	7,970,010.00	2,289,431.71	8,149,085.00	17,450,902.92	4,091,103.05	8,571,323.05	1,617,334.16	9,539.20
District of Columbia	252,000.00	252,000.00	175,411.53	243,650.00	15,181.56	1,329.57	22,542.93	.....	8,208.00
Washington	6,350,000.00	4,815,000.00	617,429.25	5,567,040.00	3,026,570.12	314,432.07	2,457,621.18	52,947.94	2,037.00
Eastern States	339,374,325.00	347,620,334.92	107,472,204.24	211,340,711.50	498,739,760.96	142,694,123.34	335,340,735.79	29,125,908.19	701,879.09
Virginia	17,668,500.00	11,596,995.93	3,911,711.67	14,661,825.00	5,591,273.85	6,816,833.78	1,201,069.97	431,845.69	12,656.97
West Virginia	10,158,132.00	6,237,600.00	1,565,642.10	8,911,685.00	1,346,311.71	2,163,245.46	396,125.76	84,603.26	3,545.25
North Carolina	8,610,000.00	2,880,925.00	2,009,590.72	6,890,345.00	1,918,133.69	3,468,184.69	159,470.93	102,469.56	9,186.17
South Carolina	6,365,000.00	2,129,917.76	1,564,241.11	4,928,287.50	679,072.29	1,804,183.19	361,265.91	85,380.24	17,208.56
Georgia	14,318,500.00	8,432,482.06	3,474,313.16	11,075,722.50	1,570,592.95	2,113,774.24	451,831.87	399,575.78	6,228.00
Savannah	900,000.00	700,000.00	208,762.52	800,000.00	489,542.94	153,981.88	63,977.14	.....	76.00
Florida	7,475,800.00	2,967,200.00	1,577,141.49	6,010,075.00	2,463,052.67	4,134,771.52	407,576.38	9,865.23	3,138.50
Alabama	9,964,500.00	5,703,100.00	1,675,271.02	8,197,197.50	1,250,831.86	1,132,706.62	167,949.71	60,458.39	3,550.00
Mississippi	3,585,000.00	1,640,653.89	647,324.48	3,066,387.50	111,808.74	427,923.69	416,270.85	10,741.33	2,532.00
Louisiana	3,020,000.00	2,294,615.83	656,897.34	2,549,640.00	1,090,949.21	1,625,123.49	633,710.20	62,027.88	15,805.74
New Orleans	5,200,000.00	3,030,000.00	1,005,216.93	3,247,595.00	3,930,294.83	2,779,597.05	2,108,249.82	276,424.67	2,511.50

Texas	33,680,000.00	17,449,794.05	8,172,691.22	22,855,597.50	6,405,918.56	4,703,197.23	1,200,125.74	441,379.44	11,988.37
Dallas	3,400,000.00	2,500,000.00	577,742.70	2,563,200.00	3,616,863.93	1,606,976.41			3,564.00
Fort Worth	3,175,000.00	1,760,000.00	909,653.58	2,268,145.00	4,987,921.81	1,856,759.77	162,291.55		258.00
Galveston	500,000.00	250,000.00	120,636.24	405,000.00	629,684.64	708,943.70			410.00
Houston	5,300,000.00	1,725,000.00	842,495.37	4,483,000.00	6,683,270.09	3,307,792.28	926,750.86		473.50
San Antonio	2,350,000.00	1,312,500.00	277,937.92	2,046,892.50	1,376,626.16	910,140.58	678,597.65		28,490.00
Waco	1,750,000.00	400,000.00	200,445.07	1,500,000.00	790,463.69	401,706.91	77,550.58		106.00
Arkansas	5,065,000.00	2,108,090.00	847,547.60	2,969,980.00	803,400.76	1,970,471.90	587,464.99	16,275.08	8,568.88
Kentucky	12,270,900.00	5,054,412.05	1,393,121.15	11,613,272.50	402,542.40	885,860.91	442,646.26	72,593.29	11,779.52
Louisville	5,495,000.00	2,725,000.00	1,154,259.65	4,952,500.00	5,549,176.77	6,235,256.58	1,332,276.80	1,922.32	11,265.32
Tennessee	13,015,000.00	5,474,647.82	2,277,990.94	10,692,447.50	3,946,401.81	5,703,149.65	820,075.72	35,029.68	16,672.00
Southern States	173,066,332.00	88,372,934.39	35,070,633.98	136,688,795.00	55,637,135.36	54,910,581.53	12,595,278.69	2,090,591.84	170,014.28
Ohio	35,469,100.00	18,816,625.91	7,201,732.03	29,452,120.00	1,979,280.27	3,327,149.55	4,658,613.61	101,267.24	44,723.66
Cincinnati	13,900,000.00	6,450,000.00	2,574,620.41	7,463,095.00	16,012,418.42	8,178,815.98	6,263,758.03	412,671.91	11,760.00
Cleveland	9,600,000.00	4,800,000.00	2,354,273.44	5,619,000.00	12,055,872.09	8,832,317.73	15,273,305.09	691,048.40	4,486.00
Columbus	3,000,000.00	1,668,000.00	393,784.71	2,487,200.00	1,967,541.92	2,109,795.54	1,132,590.66	106,118.64	2,173.35
Indiana	21,458,000.00	9,677,700.18	3,401,804.65	19,406,002.50	1,918,487.83	4,362,070.09	3,311,641.62	48,351.44	7,766.05
Indianapolis	6,400,000.00	3,000,000.00	768,085.57	5,801,237.50	8,456,224.03	4,925,272.63	1,940,444.97	7,050.34	10,643.00
Illinois	32,657,935.00	18,124,335.05	7,602,541.88	26,819,122.50	2,486,700.48	9,092,814.69	1,635,011.11	45,622.54	22,974.87
Chicago	42,750,000.00	26,200,000.00	7,369,425.25	14,451,047.50	157,469,434.27	74,071,142.88	15,682,395.27		6,309.50
Michigan	10,260,000.00	5,627,900.00	2,642,291.66	8,501,085.00	525,885.39	2,327,621.80	1,349,253.63	54,845.42	7,168.05
Detroit	4,750,000.00	1,750,000.00	1,428,212.56	2,102,400.00	5,033,930.08	6,226,350.79	4,657,571.80	36,559.40	1,174.04
Wisconsin	11,470,000.00	4,752,250.00	2,656,362.57	9,031,250.00	416,612.00	3,415,403.36	390,445.67	8,286.17	53,569.25
Milwaukee	6,300,000.00	3,200,000.00	1,520,620.08	4,081,595.00	5,849,980.72	7,901,808.45	808,701.01	638,078.87	157.50
Minnesota	11,956,000.00	6,449,350.00	2,295,665.42	8,913,922.50	2,910,231.50	4,743,388.15	94,970.77		16,772.75
Minneapolis	7,500,000.00	6,210,000.00	1,435,246.72	1,987,695.00	14,190,624.96	14,067,627.34	2,485,921.53		4,506.50
St. Paul	5,900,000.00	3,700,000.00	1,100,156.17	800,500.00	8,824,127.29	5,631,792.36	1,351,223.31		1,422.00
Iowa	18,505,000.00	7,645,877.74	3,468,072.91	15,197,182.50	3,213,993.04	5,052,466.76	8,276,682.79	144,637.45	15,703.41
Cedar Rapids	600,000.00	410,000.00	63,531.11	515,450.00	3,151,514.97	2,437,164.87	2,702,914.78	259.27	60.00
Des Moines	2,350,000.00	700,000.00	242,545.71	1,325,697.50	4,054,868.92	3,457,497.14	2,869,284.94		1,240.00
Dubuque	600,000.00	130,000.00	250,642.92	596,700.00	412,433.08	638,966.03	408,387.09		152.00
Sioux City	950,000.00	510,000.00	99,656.66	864,497.50	2,890,926.32	4,100,397.18	1,001,644.36		
Missouri	6,685,000.00	2,779,408.34	966,906.35	5,783,547.50	263,011.52	2,747,469.86	55,182.13	101,439.49	36,179.50
Kansas City	8,050,000.00	3,315,000.00	2,669,104.45	4,397,595.00	30,708,093.12	22,583,794.47	4,243,662.06	387,520.19	1,912.50
St. Joseph	1,100,000.00	700,000.00	128,664.68	957,095.00	3,247,655.21	5,978,886.12	490,615.39		138.00
St. Louis	20,200,000.00	8,940,000.00	1,415,641.71	16,668,465.00	56,329,310.03	27,821,803.95	3,766,033.73		123,567.75
Middle Western States.	282,411,035.00	145,556,447.22	54,049,589.62	193,223,502.50	344,369,157.46	234,031,817.72	84,850,255.35	2,783,756.77	374,559.68
North Dakota	5,210,000.00	2,076,665.33	810,763.16	3,952,715.00	1,087,192.63	2,713,958.41	106,672.03	1,992.44	5,597.00
South Dakota	4,185,000.00	1,325,960.07	841,835.85	3,266,010.00	935,892.66	3,504,360.36	112,797.68		17,592.00
Nebraska	10,486,200.00	4,498,643.00	1,531,233.24	8,593,212.50	663,243.72	3,567,731.58	259,521.53	1,985.85	5,795.00
Lincoln	1,000,000.00	330,000.00	309,386.05	910,650.00	1,287,742.20	1,908,490.66	127,953.11		43.00
Omaha	3,700,000.00	2,850,000.00	915,382.73	2,517,497.50	11,267,249.39	7,817,105.05	188,355.18		1,326.00
South Omaha	1,100,000.00	505,000.00	192,557.12	663,750.00	2,466,866.41	2,391,439.02	122,715.24		
Kansas	10,892,500.00	4,890,183.33	2,501,494.14	8,838,642.50	1,200,503.34	5,192,809.98	188,997.60	12,369.89	17,515.33
Kansas City	500,000.00	300,000.00	77,988.78	399,000.00	1,210,722.96	2,043,915.77	147,406.67		1,014.00
Topeka	400,000.00	190,000.00	45,930.17	300,000.00	558,003.98	411,924.55	5,289.59		
Wichita	500,000.00	555,000.00	91,569.83	320,197.50	1,661,276.21	2,573,078.48	56,583.59		7.00
Montana	5,135,000.00	2,693,700.00	1,386,866.40	3,185,620.00	1,441,779.59	1,246,847.44	192,693.06	1,002.16	11,002.14

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Liabilities.								
	Capital stock paid in.	Surplus fund.	Undivided profits, less expenses.	National-bank notes outstanding.	Due to other national banks.	Due to State and private banks and bankers.	Due to trust companies and savings banks.	Due to approved reserve agents.	Dividends unpaid.
Wyoming	$1,710,000.00	$1,182,000.00	$538,418.18	$1,515,145.00	$442,732.44	$593,202.04	$85,096.82	.....	.....
Colorado	6,740,000.00	3,151,986.45	1,445,604.54	4,954,902.50	603,578.41	503,908.74	846,896.60	$926.00	$4,291.00
Denver	3,600,000.00	3,935,000.00	375,618.63	3,480,395.00	8,268 465.90	2,187,681.54	3,086,063.33	.....	75.00
Pueblo	600,000.00	470,000.00	50,148.17	476,500.00	1,641,409.30	933,582.06	536,144.63	.....	7,910.40
New Mexico	2,215,000.00	973,830.00	236,288.60	1,657,480.00	436,216.11	609,130.50	338,188.02	2,121.43	.....
Oklahoma	12,088,200.00	3,125,336.53	1,923,522.30	8,217,187.50	2,295,442.02	2,604,778.77	.....	95,032.23	14,371.66
Muskogee	900,000.00	272,000.00	91,621.07	674,997.50	614,020.77	282,688.73	4,835.23	.....	72.50
Oklahoma City	1,300,000.00	383,000.00	111,762.92	614,250.00	1,918,134.58	922,239.39	8,246.08	.....	100.00
Western States	72,261,900.00	33,708,304.71	13,477,991.88	54,538,152.50	40,000,472.62	42,008,873.07	6,414,455.99	115,430.00	86,712.03
Washington	4,110,000.00	2,050,704.20	721,793.36	2,506,205.00	227,152.35	636,977.21	288,140.30	11,278.15	603.33
Seattle	4,200,000.00	1,370,000.00	735,782.44	1,577,595.00	3,093,431.88	3,683,285.15	2,482,301.98	.....	1,215.00
Spokane	3,400,000.00	771,465.77	418,796.63	2,715,400.00	2,215,177.41	1,731,936.77	517,264.06	.....	451.00
Tacoma	500,000.00	850,000.00	120,269.32	480,650.00	514,364.14	565,908.64	5.70	.....	.....
Oregon	4,936,000.00	2,236,329.96	877,771.98	3,388,790.00	148,830.40	375,458.95	294,664.94	3,188.88	64,755.00
Portland	4,500,000.00	2,065,000.00	615,659.13	2,321,392.50	4,429,747.82	3,432,959.10	1,328,596.57	.....	762.25
California	21,423,500.00	8,643,863.96	4,869,161.23	16,627,430.00	2,633,319.25	2,981,673.06	4,941,003.33	378,809.02	10,228.33
Los Angeles	6,000,000.00	2,900,000.00	4,029,252.44	4,970,397.50	6,239,962.75	4,535,792.57	8,323,840.79	.....	2,098.55
San Francisco	28,500,000.00	16,375,000.00	5,564,501.89	21,742,465.00	18,154,581.83	27,315,307.98	16,421,146.63	342,686.94	9,391.50
Idaho	3,370,000.00	1,512,111.93	606,759.69	2,740,910.00	539,418.43	818,149.54	105,118.45	3,309.63	300.00
Utah	1,155,000.00	453,686.45	287,988.09	914,542.50	467,206.36	606,777.11	144,016.35	1,145.33	330.00
Salt Lake City	2,400,000.00	1,030,000.00	359,574.84	2,324,595.00	1,739,011.81	1,669,972.91	1,000,593.73	4,269.07	15,625.00
Nevada	1,765,000.00	526,900.00	86,297.97	1,557,540.00	27,777.07	414,747.52	525,102.51	1,218.29	746.00
Arizona	1,155,000.00	642,000.00	369,718.32	932,107.50	46,786.71	260,745.34	310,466.36	.....	236.00
Alaska [1]	[1] 100,000.00	60,000.00	29,662.05	61,900.00	4,141.21	933.11	.....	1,215.49	.....
Pacific States	87,509,500.00	41,487,062.27	19,692,989.38	64,861,920.00	40,480,909.42	49,030,624.96	36,682,261.70	747,120.80	106,741.96
Hawaii	610,000.00	259,082.08	63,877.16	306,247.50	1,900.45	163,219.37	30,367.47	3.66	810.00
United States	1,056,919,792.00	720,606,792.54	268,140,962.57	722,125,024.00	1,017,460,873.04	528,264,904.42	528,940,184.47	45,885,609.76	1,529,195.57

[1] One report for Apr. 4, 1913.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Liabilities—Continued.								
	Individual deposits.	United States deposits.	Postal savings deposits.	Deposits of United States disbursing officers.	Bonds borrowed.	Notes and bills rediscounted.	Bills payable.	Reserved for taxes.	Other liabilities.
Maine	$46,267,316.06	$154,614.10	$75,889.31	$106,578.02	$85,000.00	$39,047.01	$985,500.00	$250.00	$76,108.88
New Hampshire	20,141,718.12	260,550.33	186,115.16	7,940.75	5,000.00	141,518.44	393,032.81	12,100.00	81.00
Vermont	18,433,087.03	58,907.70	25,922.28	162,720.45	9,000.00	14,500.00	268,000.00	5,413.67	20,000.00
Massachusetts	135,000,103.05	259,795.08	591,300.61	511.61	69,000.00	108,455.41	1,108,500.00	145,357.50	44,882.92
Boston	193,139,390.48	750,822.12	419,663.17	177,712.70	3,047,000.00	.....	160,000.00	475,000.98	3,347.00
Rhode Island	28,728,038.86	275,961.90	73,329.60	26,501.09	.....	.....	345,000.00	15,121.48	27,083.37
Connecticut	67,752,671.84	237,038.18	272,905.57	8,404.80	.....	13,500.00	663,000.00	49,142.81	28,325.33
New England States	509,462,325.44	1,988,689.41	1,645,125.70	490,369.42	3,215,000.00	317,020.86	3,923,032.81	702,386.44	199,828.50
New York	360,642,422.94	903,071.74	814,822.70	97,403.06	1,159,000.00	336,220.99	2,696,554.46	398,104.32	218,304.76
Albany	17,298,578.93	281,462.15	12,224.99	.....	.....	.....	.....	11,450.00	5,000.00
Brooklyn	19,626,388.41	258,532.37	270,129.90	72,644.47	.....	.....	.....	25,068.54	.....
New York City	704,994,318.24	2,506,145.26	786,102.14	293,657.97	8,433,750.00	65,000.00	335,000.00	1,759,602.93	139,516.00
New Jersey	194,960,116.57	513,197.40	429,194.27	104,178.65	23,000.00	392,350.04	4,108,500.00	36,916.10	209,461.87
Pennsylvania	479,401,739.43	578,618.42	857,995.26	47,082.96	39,612.01	193,447.43	1,215,500.00	46,196.53	61,350.65
Philadelphia	192,993,850.59	1,003,429.38	215,100.15	170,714.50	75,000.00	187,354.41	620,000.00	24,294.89	4,000.00
Pittsburgh	130,618,008.68	713,505.69	83,189.40	93,308.49	925,000.00	1,893,460.71	100,000.00	187,733.38	.....
Delaware	8,255,006.78	81,359.83	3,612.53	20,927.98	.....	.....	143,000.00	.....	2,510.97
Maryland	40,703,229.44	112,770.34	10,872.44	.....	.....	18,768.75	445,000.00	3,073.36	543.19
Baltimore	43,704,232.56	1,121,898.51	32,863.62	8,853.51	949,000.00	77,000.00	3,010,000.00	38,702.16	468.00
District of Columbia	1,603,541.18	71,000.00	.....	.....	.....	.....	.....	.....	.....
Washington	27,784,451.20	2,683,303.97	71,032.96	125,062.93	2,455,725.00	.....	230,000.00	26,915.31	.....
Eastern States	2,221,985,884.95	10,828,295.06	3,587,140.36	1,033,834.52	14,060,087.01	3,163,602.33	12,903,554.46	2,558,057.52	641,155.44
Virginia	88,317,172.61	1,342,222.25	104,502.44	306,579.35	1,885,000.00	1,641,703.99	2,126,513.27	126,078.92	159,244.85
West Virginia	56,337,416.69	323,370.60	58,188.20	41,699.50	163,000.00	33,800.00	201,654.76	11,689.12	.....
North Carolina	32,495,822.74	474,663.42	13,619.89	23,109.89	266,000.00	1,179,516.75	3,751,263.33	.....	2,315.07
South Carolina	19,978,246.22	229,542.14	9,549.25	10,900.98	.....	1,106,852.21	3,707,000.00	21,597.09	27,430.15
Georgia	44,654,693.63	522,222.77	30,578.97	236,330.32	56,000.00	1,608,204.36	5,857,000.00	750.00	1,800.86
Savannah	1,598,824.98	138,993.54	4,941.07	12,580.12	66,000.00	.....	298,050.00	.....	.....
Florida	36,692,315.87	376,326.52	92,298.46	45,784.28	284,500.00	148,458.04	889,500.00	28,592.28	491.56
Alabama	38,655,704.83	225,688.01	42,859.33	34,760.88	36,800.00	579,709.58	1,863,400.00	13,503.24	7,697.02
Mississippi	14,025,319.27	50,090.52	80,522.32	71,017.99	152,600.00	69,365.72	403,263.81	22,514.55	7,882.94
Louisiana	14,832,407.07	6,000.00	18,141.26	.....	41,000.00	250,476.81	765,000.00	81,098.05	.....
New Orleans	21,930,855.05	370,720.48	40,963.77	52,851.95	1,131,400.00	.....	1,701,901.60	89,000.00	.....

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Liabilities—Continued.								
	Individual deposits.	United States deposits.	Postal savings deposits.	Deposits of United States disbursing officers.	Bonds borrowed.	Notes and bills rediscounted.	Bills payable.	Reserved for taxes.	Other liabilities.
Texas	$121,992,525.16	$556,499.26	$156,478.98	$409,247.03	$33,651.11	$550,255.36	$3,243,500.00	$41,960.93	$88,891.06
Dallas	20,605,291.43	149,258.37	105,409.73	28,148.96					36,822.69
Fort Worth	12,027,117.39	2,000.00	32,372.36				200,000.00	2,558.33	
Galveston	4,112,057.29	76,259.93	13,026.63	21,499.91	200,000.00				
Houston	23,961,558.71	150,000.00	43,375.29		365,000.00	342,483.33	500,000.00	58,437.19	
San Antonio	10,343,009.53	14,479.12	49,477.79	288,174.76			75,000.00	13,005.26	10,760.87
Waco	5,576,231.70	39,114.61				98,163.80	120,000.00	2,500.00	
Arkansas	18,517,333.92	44,296.86	104,380.03		10,000.00	244,011.85	775,165.00	11,366.75	183.30
Kentucky	43,348,401.42	652,863.89	91,992.98	87,754.20	995,700.00	224,477.93	976,367.65	106,778.76	3,150.72
Louisville	21,172,364.93	1,112,987.47	132,098.02	89,843.66	327,000.00			13,182.68	
Tennessee	63,878,623.83	618,324.75	182,455.09	203,580.84	25,000.00	471,868.66	2,007,400.00	66,525.36	128,671.59
Southern States	715,053,294.27	7,475,924.51	1,407,231.86	1,963,864.62	6,038,651.11	8,549,348.39	29,461,979.42	711,138.51	475,342.68
Ohio	211,234,297.40	638,155.32	893,541.45	56,208.95	3,986,441.65	117,313.02	1,215,050.00	61,065.19	17,522.77
Cincinnati	38,359,928.39	1,353,978.91	433,340.41	5,736.83	3,674,000.00			82,242.33	
Cleveland	46,034,766.02	601,754.50	70,822.39	31,512.04	2,376,000.00	100,000.00		55,515.46	6,300.00
Columbus	21,569,385.41	223,085.59	336,486.75	21,020.91	180,000.00			23,998.70	
Indiana	123,635,112.02	1,591,585.21	412,835.53	62,972.61	503,100.00	64,000.00	305,392.40	124,086.66	26,368.62
Indianapolis	25,110,720.47	79,538.27	87,187.71	428,207.86	2,483,700.00			32,049.02	
Illinois	213,207,817.39	2,779,238.82	692,485.46	36,223.52	170,000.00	132,804.80	1,584,700.00	56,202.19	206,499.47
Chicago	208,391,727.56	1,384,115.14	232,028.16	164,778.57	2,259,000.00			671,899.43	
Michigan	91,984,937.56	454,159.10	437,071.57	24,856.69	15,600.00	493,500.07	350,000.00	96,306.75	23,815.07
Detroit	40,214,635.57	228,313.20	296,476.82	222,102.71	200,000.00			46,905.49	
Wisconsin	93,362,170.30	194,486.44	368,077.08	89,387.64	19,000.00	61,294.37	130,000.00	86,955.19	27,512.28
Milwaukee	42,292,119.33	484,217.07	305,032.62	183,015.10			800,000.00	82,140.46	
Minnesota	107,292,299.25	176,322.53	380,934.37	16,878.13	11,000.00	18,727.48	348,000.00	88,203.36	99,107.57
Minneapolis	43,784,579.94	158,111.31	165,657.68	64,788.65	395,000.00			74,406.54	
St. Paul	29,930,256.02	879,673.99	637,718.92					127,840.24	
Iowa	112,451,468.89	230,129.32	107,068.74	4,603.15	1,400.00	122,000.00	1,345,000.00	76,158.84	34,954.83
Cedar Rapids	3,195,803.58	25,383.27	974.39	866.12					
Des Moines	7,689,589.56	179,659.88	23,446.49	2,445.65				26,532.85	
Dubuque	2,452,894.77	44,469.91	5,974.39					7,116.74	
Sioux City	7,039,628.19	119,429.42	20,230.63	7,570.58					
Missouri	31,464,229.40	17,000.00	146,539.65		13,000.00	5,000.00	347,750.00	30,763.94	315.81
Kansas City	40,278,975.25	629,448.45	282,439.44	68,174.68	33,536.25		150,000.00	44,820.43	

St. Joseph	6,825,604.61	104,880.56	30,799.57					2.46	
St. Louis	62,195,253.78	639,008.71	84,504.98	28,570.29	2,756,290.00			159,609.37	
Middle Western States.	1,609,998,200.66	13,216,144.92	6,451,675.20	1,519,920.68	19,077,067.90	1,114,639.74	6,575,892.40	2,054,821.64	442,396.42
North Dakota	32,465,297.44	143,846.74	30,795.72	62,813.59		37,792.45	325,500.00	981.75	30,828.62
South Dakota	30,010,746.51	338,177.89	122,803.76	4,772.80	1,000.00		229,000.00	66,841.96	15,404.00
Nebraska	55,266,962.09	77,409.46	98,483.59	2,417.56	19,000.00	202,509.15	597,323.99	29,218.17	5,050.00
Lincoln	4,765,703.59	105,901.36	18,863.37	3,315.40				2,081.19	
Omaha	27,028,641.69	645,207.55	149,337.52	33,471.39				61,635.14	
South Omaha	6,990,527.93	26,000.00	15,000.27					24,795.68	
Kansas	59,858,594.77	441,312.88	213,236.18	46,819.72	87,500.00	113,854.93	233,872.16	32,820.77	4,141.65
Kansas City	3,145,144.28	1,000.00	111,863.10				85,000.00	3,000.00	27.98
Topeka	3,308,644.58	140,321.54	20,629.43	234,353.14				2,500.00	
Wichita	4,513,249.92	3,000.00	28,316.26					6,033.56	
Montana	35,148,490.96	686,137.48	437,050.43	35,079.80	2,000.00	4,500.00	267,500.00	17,145.59	2,220.55
Wyoming	12,946,684.41	247,135.10	41,016.85	227.09		37,000.00	63,000.00	1,500.00	1,718.17
Colorado	38,953,187.61	147,194.19	411,148.85	1,207.25	26,000.00	20,000.00	95,000.00	64,861.86	593.85
Denver	37,111,306.78	525,375.72	236,008.37	286,199.14				36,200.02	
Pueblo	6,994,267.91	72,069.79	50,025.50	1,967.21				23,555.03	
New Mexico	15,271,583.45	245,905.97	41,222.29	6,468.92	7,000.00		148,000.00	15,617.36	57.11
Oklahoma	55,597,272.15	254,503.69	174,512.97	367,512.82	61,380.41	112,015.92	867,060.85	93,564.72	42,571.28
Muskogee	4,716,498.20	144,504.83	3,486.62				25,000.00	14,568.50	
Oklahoma City	7,110,223.46	202,000.00	50,542.97		150,000.00			32,703.25	87.05
Western States	441,203,027.73	4,447,004.19	2,254,344.05	1,086,625.83	353,880.41	527,672.45	2,936,257.00	529,624.55	102,700.26
Washington	30,353,777.72	261,072.97	403,843.96	4,053.08	17,000.00	20,000.00	148,578.83	21,129.01	
Seattle	31,700,739.42	1,040,490.02	191,692.87	54,734.24				14,832.85	
Spokane	17,046,436.34	143,679.98	42,800.95	9,077.43				43,380.52	
Tacoma	7,609,533.44	156,739.12	284,544.09	43,260.88				6,515.49	
Oregon	29,448,069.65	87,271.66	222,692.61	26,747.40	37,800.00	5,074.45	129,000.00	2,015.67	56,210.00
Portland	25,962,891.00	735,710.94	231,560.89	59,180.01				46,978.67	
California	122,449,952.57	275,693.07	785,171.54	5,734.80	317,979.15	127,464.76	2,257,500.00	17,547.03	118,096.52
Los Angeles	46,436,001.62	262,984.43	175,251.53	90,474.08	77,000.00		200,000.00	90,220.66	146.58
San Francisco	88,736,533.51	852,354.12	534,134.89	8,181.35				162,819.11	
Idaho	18,728,112.94	175,859.97	227,931.55	15,887.78	14,000.00	49,571.20	235,000.00	32,233.39	
Utah	7,323,844.34	139,796.19	18,927.17		7,000.00		55,000.00	21,916.77	1,196.08
Salt Lake City	11,482,746.50	255,021.34	13,343.49	17,229.85		200,000.00		9,880.61	
Nevada	6,012,025.13	62,551.47	93,169.01	565.18		6,586.18		173.66	4,109.42
Arizona	9,716,618.63	235,844.53	91,293.75	200.00				4,972.00	575.89
Alaska [1]	875,090.20	215,212.42		19,092.95					3,310.20
Pacific States	453,882,373.01	4,900,282.23	3,316,358.30	354,419.03	470,779.15	408,696.59	3,025,078.83	474,615.44	183,644.69
Hawaii	1,876,445.06	261,877.73		157,786.98					
United States	5,953,461,551.12	43,118,218.05	18,661,875.47	6,606,821.08	43,215,465.58	14,080,980.36	58,825,794.92	7,030,644.10	[2] 2,045,067.99

[1] One report for Apr. 4, 1913.

[2] Includes $21,947 State bank notes outstanding.

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Classification of deposits.					
	Individual deposits subject to check.	Demand certificates of deposit.	Time certificates of deposit.	Certified checks.	Cashier's checks outstanding.	Total.
Maine	$43,376,590.32	$2,237,765.77	$471,507.98	$16,932.35	$164,519.64	$46,267,316.06
New Hampshire	18,043,903.23	1,747,789.37	82,783.86	28,518.47	238,723.19	20,141,718.12
Vermont	16,846,033.86	893,148.88	600,931.38	21,977.22	70,995.69	18,433,087.03
Massachusetts	130,463,685.71	3,469,708.23	331,759.92	418,560.35	316,388.84	135,000,103.05
Boston	186,847,606.24	2,589,973.53	.....	1,931,349.92	1,770,460.79	193,139,390.48
Rhode Island	24,922,304.49	3,575,209.12	4,970.00	55,298.32	170,256.93	28,728,038.86
Connecticut	65,437,586.08	1,546,166.53	149,495.00	421,629.76	197,794.47	67,752,671.84
New England States	485,937,709.93	16,059,761.43	1,641,448.14	2,894,266.39	2,929,139.55	509,462,325.44
New York	307,625,148.38	50,047,274.43	1,785,370.97	760,710.16	423,919.00	360,642,422.94
Albany	17,151,208.36	12,087.18	.....	120,218.82	15,064.57	17,298,578.93
Brooklyn	18,929,641.83	56,736.20	.....	267,868.20	372,142.18	19,626,388.41
New York City	611,288,726.67	7,688,543.41	791,382.27	63,669,438.50	21,556,227.39	704,994,318.27
New Jersey	185,560,237.48	5,171,933.59	2,259,283.91	1,240,644.97	728,016.62	194,960,116.54
Pennsylvania	365,897,071.58	53,893,557.22	58,098,440.38	537,871.09	974,799.16	479,401,739.43
Philadelphia	186,211,385.15	1,284,985.79	291,520.61	448,490.58	4,757,468.46	192,993,850.59
Pittsburgh	125,219,584.24	1,482,913.14	1,437,577.71	787,263.92	1,690,669.67	130,618,008.68
Delaware	7,428,165.35	457,119.26	355,171.97	11,982.87	2,567.33	8,255,006.78
Maryland	33,615,701.15	5,024,694.61	2,008,780.35	35,432.55	18,620.78	40,703,229.44
Baltimore	41,245,557.31	418,370.85	841,000.00	720,835.32	478,469.08	43,704,232.56
District of Columbia	1,002,546.67	.....	.....	994.51	.....	1,003,541.18
Washington	27,262,185.07	335,639.15	19,195.86	113,532.80	53,898.32	27,784,451.20
Eastern States	1,928,437,159.24	125,873,854.83	67,887,724.03	68,715,284.29	31,071,862.56	2,221,985,884.95
Virginia	73,161,827.87	9,095,763.87	5,533,331.72	292,086.71	234,162.44	88,317,172.61
West Virginia	37,258,785.19	2,721,027.60	16,139,055.69	24,708.05	193,840.16	56,337,416.69
North Carolina	23,896,619.14	3,246,102.54	5,103,757.25	26,576.38	222,767.43	32,495,822.74
South Carolina	18,075,844.03	795,136.51	1,016,401.80	25,611.83	65,252.05	19,978,246.22
Georgia	39,350,195.10	1,455,693.03	3,417,755.12	101,604.13	329,446.25	44,654,693.63
Savannah	1,484,144.61	24,163.02	88,656.47	1,795.58	65.30	1,598,824.98
Florida	33,180,773.00	1,044,503.43	2,196,794.66	61,244.10	209,000.68	36,692,315.87
Alabama	34,745,817.69	1,202,881.45	2,578,315.33	43,921.32	84,769.04	38,655,704.83
Mississippi	10,876,734.03	268,745.41	2,809,308.00	9,439.37	61,092.46	14,025,319.27
Louisiana	12,427,945.70	1,103,879.51	1,202,616.26	28,664.78	69,300.82	14,832,407.07
New Orleans	20,793,077.81	467,771.98	346,676.86	177,781.29	145,547.11	21,930,855.05

Texas	109,859,259.90	4,006,508.37	7,008,860.90	98,531.28	1,019,364.71	121,992,525.16
Dallas	19,603,375.78	62,215.87	394,076.18	96,744.58	448,879.02	20,605,291.43
Fort Worth	11,426,557.22	408,085.70	56,193.49	18,657.18	117,623.80	12,027,117.39
Galveston	3,798,236.66	252,194.28	53,557.71	2,378.10	5,690.54	4,112,057.29
Houston	21,446,315.74	955,439.90	1,132,657.63	99,510.29	327,635.15	23,961,558.71
San Antonio	9,680,465.00	60,249.27	454,381.07	11,331.95	136,582.24	10,343,009.53
Waco	5,357,692.43	8,102.77	195,406.15	6,039.05	8,991.30	5,576,231.70
Arkansas	14,738,326.42	2,174,315.31	1,485,551.34	26,057.57	93,083.28	18,517,333.92
Kentucky	36,541,842.52	1,439,730.99	5,305,905.31	27,693.89	33,228.71	43,348,401.42
Louisville	15,353,743.57	1,078,569.11	4,446,570.88	86,988.58	206,492.79	21,172,364.93
Tennessee	49,192,557.81	7,104,230.59	7,090,301.19	192,251.80	299,282.44	63,878,623.83
Southern States	602,250,137.22	38,975,310.51	68,056,131.01	1,459,617.81	4,312,097.72	715,053,294.27
Ohio	148,461,311.51	39,580,722.57	22,676,658.92	264,934.15	250,670.25	211,234,297.40
Cincinnati	36,805,376.63	1,017,022.23		145,261.64	392,267.89	38,359,928.39
Cleveland	45,011,086.55	510,525.18	26,320.00	208,856.12	277,978.17	46,034,766.02
Columbus	16,155,776.26	1,204,520.68	4,104,316.58	78,634.24	26,137.65	21,569,385.41
Indiana	81,017,674.63	34,378,814.54	7,895,353.12	145,830.55	197,439.18	123,635,112.02
Indianapolis	23,198,137.06	1,533,485.37		56,761.52	322,336.52	25,110,720.47
Illinois	144,231,183.01	28,541,180.03	39,704,099.95	219,619.39	511,735.01	213,207,817.39
Chicago	194,990,676.26	2,965,271.43	3,707,157.93	2,281,161.99	4,447,459.95	208,391,727.56
Michigan	67,037,362.50	20,315,851.14	4,502,066.37	85,661.90	43,995.65	91,984,937.56
Detroit	35,386,076.16	4,502,459.12		52,793.30	273,306.99	40,214,635.57
Wisconsin	50,998,010.70	12,952,398.90	29,238,406.38	73,719.60	99,634.72	93,362,170.30
Milwaukee	33,632,910.70	6,889,823.00	1,168,030.67	231,967.38	369,387.58	42,292,119.33
Minnesota	51,047,620.90	1,526,285.79	53,323,489.00	126,179.22	1,268,724.34	107,292,299.25
Minneapolis	38,527,186.12	2,746,681.03	1,303,675.62	226,454.21	980,582.96	43,784,579.94
St. Paul	25,281,596.09	3,881,914.97	295,155.95	157,348.52	314,240.49	29,930,256.02
Iowa	55,287,333.76	19,264,249.72	37,520,647.70	123,361.87	255,875.84	112,451,468.89
Cedar Rapids	2,052,434.53	76,873.23	1,036,585.37	8,815.42	21,095.03	3,195,803.58
Des Moines	6,917,977.07	737,672.56		27,799.06	6,140.87	7,689,589.56
Dubuque	1,534,452.85	19,014.92	880,175.07	2,140.35	17,111.58	2,452,894.77
Sioux City	4,913,936.91	49,820.16	2,003,292.20	17,580.31	54,998.61	7,039,628.19
Missouri	24,202,697.34	572,781.02	6,523,662.00	5,654.57	159,434.47	31,464,229.40
Kansas City	31,628,825.26	3,213,198.39	4,332,826.44	84,326.10	1,019,799.06	40,278,975.25
St. Joseph	5,261,231.62	616,845.29	782,455.40	3,538.70	161,533.60	6,825,604.61
St. Louis	50,807,638.91	16,167.24	9,565,812.44	5,092.94	1,800,542.25	62,195,253.78
Middle Western States	1,174,388,513.33	187,113,578.51	230,590,187.11	4,633,493.05	13,272,428.66	1,609,998,200.66
North Dakota	15,105,008.42	1,150,866.35	15,955,592.80	44,880.97	208,948.90	32,465,297.44
South Dakota	13,436,907.77	1,168,722.09	15,213,602.91	42,221.59	149,292.15	30,010,746.51
Nebraska	28,343,873.98	6,520,860.73	20,187,522.82	52,459.17	162,245.39	55,266,962.09
Lincoln	4,099,640.57	127,976.91	414,993.83	19,447.94	103,644.34	4,765,703.59
Omaha	20,967,259.89	144,151.91	5,127,943.29	192,398.57	596,888.03	27,028,641.69
South Omaha	4,333,540.87	166.18	1,645,420.95	3,771.59	1,007,628.34	6,990,527.93
Kansas	39,838,100.76	6,351,804.02	13,464,661.92	37,770.13	166,257.94	59,858,594.77
Kansas City	2,563,473.29	490,448.82	44,796.93	2,301.86	44,123.38	3,145,144.28
Topeka	3,022,915.78	259,049.70	1,240.00	10,050.63	15,388.47	3,308,644.58
Wichita	3,718,000.94	473,871.42	266,876.84	8,161.98	46,338.74	4,513,249.92
Montana	22,711,291.62	2,929,153.23	9,294,272.14	39,063.81	174,710.16	35,148,490.96

Abstract of reports of the national banking associations of the United States, showing their condition at the close of business on Wednesday, June 4, 1913—Continued.

States, Territories, and reserve cities.	Classification of deposits.					
	Individual deposits subject to check.	Demand certificates of deposit.	Time certificates of deposit.	Certified checks.	Cashier's checks outstanding.	Total.
Wyoming	$7,847,029.09	$97,880.24	$4,936,833.04	$9,951.37	$54,990.67	$12,946,684.41
Colorado	25,412,501.44	4,113,260.16	9,235,081.99	18,090.51	174,253.51	38,953,187.61
Denver	27,014,319.20	377,351.82	9,194,057.20	98,337.01	427,241.55	37,111,306.78
Pueblo	4,103,020.15	1,145,095.69	1,645,064.11	2,135.47	98,952.49	6,994,267.91
New Mexico	10,133,296.42	184,545.02	4,767,982.04	6,251.03	179,508.94	15,271,583.45
Oklahoma	45,959,825.02	2,661,258.78	6,289,885.91	114,469.43	571,833.01	55,597,272.15
Muskogee	3,385,716.86	.....	1,192,750.81	71,983.74	66,046.79	4,716,498.20
Oklahoma City	6,450,679.85	166,448.78	385,776.07	6,970.39	100,348.37	7,110,223.46
Western States	288,446,401.92	28,362,911.85	119,264,355.60	780,717.19	4,348,641.17	441,203,027.73
Washington	24,906,859.28	1,222,616.36	4,120,698.48	45,508.56	58,095.04	30,353,777.72
Seattle	25,986,052.14	390,610.19	4,661,921.81	247,850.86	414,304.42	31,700,739.42
Spokane	14,897,363.31	1,936,155.47	48,752.19	48,931.67	115,233.70	17,046,436.34
Tacoma	6,909,508.49	84,075.62	518,805.72	76,203.67	20,939.94	7,609,533.44
Oregon	23,436,986.24	1,792,966.93	4,090,585.17	21,269.31	106,262.00	29,448,069.65
Portland	23,652,322.48	1,254,752.45	435,462.07	216,587.81	403,766.19	25,962,891.00
California	100,943,500.69	7,869,714.54	10,905,544.33	269,044.37	2,462,148.64	122,449,952.57
Los Angeles	40,396,544.77	2,517,806.30	1,796,393.30	457,075.51	1,268,181.74	46,436,001.62
San Francisco	81,400,257.21	2,280,416.77	3,321,609.13	878,684.18	855,566.22	88,736,533.51
Idaho	13,789,116.00	1,709,809.28	2,994,602.37	26,711.95	207,873.34	18,728,112.94
Utah	5,360,285.87	60,631.11	1,722,035.61	15,576.27	165,315.48	7,323,844.34
Salt Lake City	9,631,763.09	35,814.27	1,653,272.68	16,830.45	145,066.01	11,482,746.50
Nevada	4,280,059.28	809,163.28	874,602.06	627.36	47,573.15	6,012,025.13
Arizona	8,607,650.18	209,851.03	812,964.68	14,546.46	71,606.28	9,716,618.63
Alaska	786,328.86	20,256.90	58,643.85	241.56	9,619.03	875,090.20
Pacific States	384,984,597.89	22,194,640.50	38,015,893.45	2,335,689.99	6,351,551.18	453,882,373.01
Hawaii	1,736,879.10	81,620.16	53,125.22	4,766.28	54.30	1,876,445.06
United States	4,866,181,398.63	418,661,677.79	525,508,864.56	80,823,835.00	62,285,775.14	5,953,461,551.12

Specie and circulation of national banks on June 4, 1913.

Cities, States, and Territories.	Number of banks.	Specie.								Circulating notes.		
		Gold coin.	Gold Treasury certificates.	Gold Treasury certificates to order (act of Mar. 14, 1900).	Clearing-house certificates (sec. 5192, R. S.).	Silver dollars.	Silver Treasury certificates.	Fractional silver coin.	Total.	Received from comptroller.	On hand.	Outstanding.
New York City	36	$4,332,011.24	$114,855,720	$22,050,000	$55,450,000	$48,577	$44,016,186	$1,303,541.78	$242,056,036.02	$49,756,300	$1,742,987.50	$48,013,312.50
Chicago	9	4,023,595.00	20,731,880	1,715,000	9,445,000	220,599	18,716,187	572,061.60	55,424,322.60	14,549,000	97,952.50	14,451,047.50
St. Louis	7	1,611,515.00	10,587,580	450,000	.....	109,877	4,475,944	107,255.90	17,342,171.90	17,049,790	381,325.00	16,668,465.00
Central reserve cities	52	9,967,121.24	146,175,180	24,215,000	64,895,000	379,053	67,208,317	1,982,859.28	314,822,530.52	81,355,090	2,222,265.00	79,132,825.00
Boston	17	800,941.00	12,145,510	45,000	5,415,000	6,991	7,865,985	355,362.70	26,634,789.70	8,551,800	141,097.50	8,410,702.50
Albany	3	571,845.00	1,810,830	60,000	.....	4,296	65,385	42,934.16	2,555,290.16	2,100,000	29,502.50	2,070,497.50
Brooklyn	6	171,680.00	1,217,320	.....	320,000	3,651	1,065,036	137,097.75	2,914,784.75	1,037,000	13,950.00	1,023,050.00
Philadelphia	32	1,758,310.00	8,935,450	7,170,000	6,865,000	162,860	5,908,339	696,197.60	31,496,161.60	11,947,000	123,317.50	11,823,682.50
Pittsburgh	23	2,769,713.00	8,098,720	.....	2,920,000	260,369	4,035,554	468,759.55	18,553,115.55	17,374,000	271,912.50	17,102,087.50
Baltimore	16	339,341.50	1,546,160	460,000	.....	38,354	2,282,460	132,609.15	4,798,924.65	8,249,000	99,915.00	8,149,085.00
Washington	11	47,817.50	1,631,550	100,000	.....	9,063	618,636	60,759.72	2,467,826.22	5,690,000	122,960.00	5,567,040.00
Savannah	2	4,960.00	39,500	.....	.....	24,350	56,100	39,187.00	164,097.00	800,000	.....	800,000.00
New Orleans	5	39,477.50	1,123,750	.....	500,000	28,685	678,248	34,178.15	2,404,338.65	3,270,000	22,405.00	3,247,595.00
Dallas	5	243,082.50	1,119,550	.....	.....	109,944	318,820	100,837.50	1,892,234.00	2,584,000	20,800.00	2,563,200.00
Fort Worth	8	591,412.50	296,130	.....	.....	136,340	109,863	152,952.75	1,286,698.25	2,282,000	13,855.00	2,268,145.00
Galveston	2	141,105.00	573,850	.....	.....	40,570	65,056	83,587.55	904,168.55	405,000	.....	405,000.00
Houston	6	258,557.50	1,545,170	.....	.....	212,887	308,024	169,172.75	2,493,811.25	4,500,000	17,000.00	4,483,000.00
San Antonio	7	286,502.50	782,220	.....	.....	194,801	229,243	134,526.45	1,627,292.95	2,115,000	68,107.50	2,046,892.50
Waco	5	152,162.50	268,000	.....	.....	100,726	100,208	131,510.38	752,606.88	1,500,000	.....	1,500,000.00
Louisville	8	602,445.00	877,000	560,000	.....	71,331	360,833	48,934.00	2,520,543.00	4,955,000	2,500.00	4,952,500.00
Cincinnati	8	543,490.00	3,028,240	1,050,000	.....	74,024	1,270,307	79,195.80	6,045,256.80	7,526,600	63,505.00	7,463,095.00
Cleveland	7	1,940,037.50	3,957,350	.....	740,000	65,375	736,844	93,402.45	7,533,008.95	5,702,500	83,500.00	5,619,000.00
Columbus	8	1,045,274.50	699,240	60,000	.....	115,586	331,563	63,388.55	2,315,052.05	2,500,000	12,800.00	2,487,200.00
Indianapolis	5	1,045,785.00	1,704,660	.....	.....	120,298	509,989	69,301.05	3,450,033.05	5,823,140	21,902.50	5,801,237.50
Detroit	3	1,196,485.00	836,990	.....	745,000	70,840	169,211	86,229.00	3,104,755.00	2,154,000	51,600.00	2,102,400.00
Milwaukee	5	940,532.50	1,476,220	.....	.....	52,207	1,959,562	51,752.90	4,480,274.40	4,117,000	35,405.00	4,081,595.00
Minneapolis	6	3,056,942.50	1,218,780	1,160,000	.....	226,803	37,995	162,047.45	5,862,567.95	1,995,000	7,305.00	1,987,695.00
St. Paul	4	1,608,752.50	339,380	300,000	1,090,000	103,175	473,407	80,658.60	3,995,373.10	825,000	24,500.00	800,000.00
Cedar Rapids	3	95,080.00	342,550	120,000	.....	25,558	24,410	22,290.30	629,888.30	525,000	9,550.00	515,450.00
Des Moines	4	530,264.90	661,010	110,000	.....	61,240	76,551	52,732.50	1,491,798.40	1,384,000	58,302.50	1,325,697.50
Dubuque	3	141,170.00	85,000	.....	.....	7,452	62,116	8,308.05	304,046.05	596,700	.....	596,700.00
Sioux City	5	201,635.00	323,600	500,000	.....	28,521	31,069	27,996.90	1,112,821.90	875,000	10,502.50	864,497.50
Kansas City, Mo	11	1,122,369.00	3,319,500	.....	1,130,000	118,358	1,366,205	177,509.95	7,233,941.95	4,605,000	207,405.00	4,397,595.00
St. Joseph	4	447,400.00	589,500	.....	.....	46,647	201,961	27,504.90	1,313,012.90	970,000	12,905.00	957,095.00

Specie and circulation of national banks on June 4, 1913—Continued.

Cities, States, and Territories.	Number of banks.	Specie.								Circulating notes.		
		Gold coin.	Gold Treasury certificates.	Gold Treasury certificates to order (act of Mar. 14, 1900).	Clearing-house certificates (sec. 5192, R. S.).	Silver dollars.	Silver Treasury certificates.	Fractional silver coin.	Total.	Received from comptroller.	On hand.	Outstanding.
Lincoln	4	$278,236.00	$162,800	.....	.....	$29,154	$42,714	$42,405.80	$555,309.80	$930,500	$19,850.00	$910,650.00
Omaha	7	1,011,435.00	1,657,360	$10,000	.....	121,477	1,065,587	107,018.60	3,972,877.60	2,517,500	2.50	2,517,497.50
South Omaha	3	332,650.00	46,400	100,000	.....	79,296	46,528	19,282.10	624,156.10	680,000	16,250.00	663,750.00
Kansas City, Kans	2	141,282.50	161,600	200,000	.....	20,958	30,265	9,427.85	563,533.35	399,000	.....	399,000.00
Topeka	3	125,865.00	94,570	120,000	.....	19,112	19,571	28,509.85	407,627.85	300,000	.....	300,000.00
Wichita	3	131,500.00	192,670	180,000	.....	21,319	98,308	21,933.85	645,730.85	325,000	4,802.50	320,197.50
Denver	6	3,265,055.00	2,219,460	.....	.....	161,381	53,084	47,586.05	5,746,566.05	3,500,000	19,605.00	3,480,395.00
Pueblo	3	452,460.00	470,210	.....	.....	15,405	29,972	17,440.40	985,487.40	480,000	3,500.00	476,500.00
Muskogee	5	106,585.00	274,040	.....	.....	41,038	93,501	36,179.55	551,343.55	675,000	2.50	674,997.50
Oklahoma City	6	199,597.50	388,320	.....	.....	119,960	120,817	53,892.50	882,587.00	625,000	10,750.00	614,250.00
Seattle	6	2,915,410.00	470,850	.....	$802,000	81,650	17,892	175,661.35	4,463,463.35	1,589,000	11,405.00	1,577,595.00
Spokane	5	879,137.50	205,700	1,011,000	.....	89,063	63,377	156,736.75	2,405,014.25	2,800,000	84,600.00	2,715,400.00
Tacoma	2	757,867.50	46,010	.....	324,000	16,627	21,248	30,054.25	1,195,806.75	500,000	19,350.00	480,650.00
Portland	5	3,728,040.00	107,230	.....	717,000	67,132	9,770	121,849.05	4,751,021.05	2,900,000	578,607.50	2,321,392.50
Los Angeles	8	4,733,365.00	174,780	.....	1,000,000	82,562	33,697	228,733.15	6,253,137.15	5,070,000	99,602.50	4,970,397.50
San Francisco	9	9,677,542.50	672,190	2,260,000	838,000	150,960	58,286	352,532.12	14,009,510.62	21,950,000	207,535.00	21,742,465.00
Salt Lake City	6	1,164,499.75	413,100	.....	.....	68,546	12,801	62,068.55	1,721,015.30	2,400,000	75,405.00	2,324,595.00
Other reserve cities	315	52,595,104.65	68,350,020	15,576,000	23,406,000	3,706,942	33,136,398	5,302,237.33	202,072,701.98	164,599,740	2,697,772.50	161,901,967.50
All reserve cities	367	62,562,225.89	214,525,000	39,791,000	88,301,000	4,085,995	100,344,715	7,285,096.61	516,895,232.50	245,954,830	4,920,037.50	241,034,792.50
Maine	69	1,128,882.59	971,660	.....	.....	26,813	449,074	130,773.55	2,707,203.14	6,016,650	115,892.50	5,900,757.50
New Hampshire	56	503,921.32	255,700	.....	.....	24,019	302,675	116,869.50	1,203,184.82	5,056,500	89,572.50	4,966,927.50
Vermont	49	388,572.94	298,790	.....	.....	31,774	130,825	86,736.35	936,698.29	4,512,500	62,562.50	4,449,937.50
Massachusetts	163	2,263,958.55	1,718,890	.....	3,000	114,624	2,145,767	643,270.31	6,889,509.86	20,009,000	365,967.50	19,643,032.50
Rhode Island	20	428,053.40	605,660	.....	.....	3,599	373,843	87,100.07	1,498,255.47	4,717,000	91,797.50	4,625,202.50
Connecticut	79	1,690,910.30	880,220	20,000	.....	65,845	1,094,577	329,675.11	4,081,227.41	13,533,350	364,215.00	13,169,135.00
New England States	436	6,404,299.10	4,730,920	20,000	3,000	266,674	4,496,761	1,394,424.89	17,316,078.99	53,845,000	1,090,007.50	52,754,992.50
New York	429	5,449,538.58	6,271,030	925,000	695,000	342,384	4,678,535	995,107.38	19,356,594.96	37,971,060	586,630.00	37,384,430.00
New Jersey	200	1,770,269.43	3,733,570	60,000	.....	116,560	3,332,025	594,317.92	9,606,742.35	18,043,070	401,872.50	17,641,197.50
Pennsylvania	781	9,807,566.82	8,677,550	360,000	15,000	754,497	4,564,442	1,314,352.37	25,493,408.19	57,618,040	1,018,453.50	56,599,586.50
Delaware	26	105,663.00	106,570	.....	.....	21,549	216,299	45,993.75	496,074.75	1,415,250	18,595.00	1,396,655.00

Maryland	89	486,426.94	746,970	30,000	.....	24,794	412,180	122,600.14	1,822,971.08	4,399,740	73,302.50	4,326,437.50
District of Columbia	1	8,960.00	55,550	.....	.....	490	8,360	1,350.00	74,710.00	250,000	6,350.00	243,650.00
Eastern States	1,526	17,628,424.77	19,591,240	1,375,000	710,000	1,260,274	13,211,841	3,073,721.56	56,850,501.33	119,697,160	2,105,203.50	117,591,956.50
Virginia	133	1,400,936.95	1,626,600	.....	14,000	193,915	771,309	330,131.91	4,336,892.86	14,838,250	176,425.00	14,661,825.00
West Virginia	116	1,343,031.39	1,020,030	.....	.....	119,912	601,619	170,130.98	3,254,723.37	9,013,400	101,715.00	8,911,685.00
North Carolina	73	439,730.35	409,080	.....	.....	130,131	329,766	135,550.01	1,444,257.36	6,904,100	13,755.00	6,890,345.00
South Carolina	48	220,952.50	157,020	.....	.....	79,370	160,726	200,475.45	818,543.95	4,969,250	40,962.50	4,928,287.50
Georgia	116	517,790.93	634,350	.....	40,000	233,523	630,101	377,465.77	2,433,230.70	11,153,000	77,277.50	11,075,722.50
Florida	52	597,453.33	617,290	.....	.....	220,106	369,093	205,024.51	2,008,966.84	6,035,000	24,925.00	6,010,075.00
Alabama	87	685,841.21	1,096,730	.....	.....	305,145	516,008	237,073.69	2,840,797.90	8,480,050	282,852.50	8,197,197.50
Mississippi	33	155,587.35	376,840	90,000	.....	70,933	93,089	64,883.55	851,332.90	3,085,300	18,912.50	3,066,387.50
Louisiana	26	237,613.15	347,620	50,000	.....	116,640	156,964	129,468.35	1,038,305.50	2,571,250	21,610.00	2,549,640.00
Texas	481	2,397,048.23	3,040,440	.....	.....	890,347	993,495	846,242.46	8,167,572.69	23,046,410	190,812.50	22,855,597.50
Arkansas	49	409,387.00	337,420	20,000	.....	112,561	138,320	120,395.40	1,138,083.40	2,984,510	14,530.00	2,969,980.00
Kentucky	136	799,721.85	818,650	450,000	.....	139,265	326,952	130,230.70	2,664,819.55	11,699,350	86,077.50	11,613,272.50
Tennessee	107	1,067,004.50	1,432,190	40,000	.....	330,301	781,846	230,420.75	3,881,762.25	10,783,000	90,552.50	10,692,447.50
Southern States	1,457	10,272,098.74	11,914,260	650,000	54,000	2,942,149	5,869,288	3,177,493.53	34,879,289.27	115,562,870	1,140,407.50	114,422,462.50
Ohio	357	4,469,350.27	3,786,100	635,000	206,000	645,326	1,565,631	547,974.43	11,855,381.70	29,796,180	344,060.00	29,452,120.00
Indiana	249	3,194,143.50	2,708,510	80,000	.....	446,036	1,235,694	350,656.57	8,015,040.07	19,594,920	188,917.50	19,406,002.50
Illinois	448	4,592,180.36	4,179,520	885,000	.....	562,191	1,805,090	675,454.40	12,699,435.76	27,081,140	262,017.50	26,819,122.50
Michigan	96	2,393,066.34	1,715,800	50,000	.....	201,887	625,459	218,237.51	5,204,449.85	8,609,750	108,665.00	8,501,085.00
Wisconsin	124	1,980,427.25	1,289,620	770,000	.....	210,835	495,961	226,129.60	4,972,972.85	9,124,970	93,720.00	9,031,250.00
Minnesota	261	3,035,899.80	1,274,280	340,000	.....	287,359	593,709	300,635.58	5,831,883.38	8,988,260	74,337.50	8,913,922.50
Iowa	325	2,597,026.07	1,948,000	525,000	.....	391,484	609,966	310,769.13	6,382,245.20	15,308,200	111,017.50	15,197,182.50
Missouri	111	783,279.30	364,260	60,000	.....	150,026	195,512	120,001.74	1,673,079.04	5,844,310	60,762.50	5,783,547.50
Middle States	1,971	23,045,372.89	17,266,090	3,345,000	206,000	2,895,144	7,127,022	2,749,858.96	56,634,487.85	124,347,730	1,243,497.50	123,104,232.50
North Dakota	144	628,059.70	682,550	.....	.....	128,858	188,851	166,879.35	1,795,198.05	3,971,770	19,055.00	3,952,715.00
South Dakota	103	785,264.10	742,850	40,000	.....	105,670	185,052	112,751.75	1,971,587.85	3,283,300	17,290.00	3,266,010.00
Nebraska	228	1,486,472.80	939,230	275,000	.....	197,208	250,442	169,762.50	3,318,115.30	8,639,760	46,547.50	8,593,212.50
Kansas	205	1,715,635.75	1,219,310	60,000	.....	303,387	422,688	224,490.95	3,945,511.70	8,899,740	61,097.50	8,838,642.50
Montana	57	1,603,351.40	1,197,500	.....	.....	91,205	126,649	164,669.22	3,183,374.62	3,306,450	120,830.00	3,185,620.00
Wyoming	30	473,793.80	343,010	.....	.....	44,790	55,721	49,588.38	966,903.18	1,537,550	22,405.00	1,515,145.00
Colorado	117	1,435,879.75	922,990	.....	.....	139,041	203,102	120,800.65	2,821,813.40	5,001,010	46,107.50	4,954,902.50
New Mexico	40	427,062.50	400,860	.....	.....	53,619	94,280	54,153.15	1,029,974.65	1,679,000	21,520.00	1,657,480.00
Oklahoma	314	893,659.11	1,325,100	80,000	.....	348,869	381,134	321,453.74	3,350,215.85	8,338,030	120,842.50	8,217,187.50
Western States	1,238	9,449,178.91	7,773,400	455,000	.....	1,412,647	1,907,919	1,384,549.69	22,382,694.60	44,656,610	475,695.00	44,180,915.00
Washington	64	1,567,403.00	285,610	.....	.....	124,964	46,320	144,313.55	2,168,610.55	2,584,850	78,645.00	2,506,205.00
Oregon	78	2,258,351.66	216,500	.....	.....	102,694	31,882	149,127.12	2,758,554.78	3,517,460	128,670.00	3,388,790.00
California	235	7,645,433.50	870,890	170,000	20,000	423,346	181,917	603,834.26	9,915,420.76	16,941,300	313,870.00	16,627,430.00
Idaho	54	919,717.50	271,560	.....	149,500	69,647	49,725	100,662.10	1,560,811.60	2,772,500	31,590.00	2,740,910.00
Utah	17	425,562.50	20,770	.....	.....	23,297	15,655	28,849.85	514,134.35	923,250	8,707.50	914,542.50
Nevada	11	456,227.50	111,550	.....	.....	15,983	3,654	26,622.90	614,037.40	1,579,000	21,460.00	1,557,540.00

Specie and circulation of national banks on June 4, 1913—Continued.

Cities, States, and Territories.	Number of banks.	Specie.								Circulating notes.		
		Gold coin.	Gold Treasury certificates.	Gold Treasury certificates to order (act of Mar. 14, 1900).	Clearing-house certificates (sec. 5192, R. S.).	Silver dollars.	Silver Treasury certificates.	Fractional silver coin.	Total.	Received from comptroller.	On hand.	Outstanding.
Arizona	13	$415,232.00	$181,160	.....	.....	$59,242	$46,991	$38,398.45	$741,023.45	$941,510	$9,402.50	$932,107.50
Alaska [1]	2	228,469.54	53,900	.....	.....	4,520	6,031	11,880.75	304,801.29	62,500	600.00	61,900.00
Pacific States	474	13,916,397.20	2,011,940	$170,000	$169,500	823,693	382,175	1,103,688.98	18,577,394.18	29,322,370	592,945.00	28,729,425.00
Island possessions (Hawaii)	4	484,661.00	260	.....	.....	34,297	104	19,627.05	538,949.05	306,250	2.50	306,247.50
Total States, etc	7,106	81,200,432.61	63,288,110	6,015,000	1,142,500	9,634,878	32,995,110	12,903,364.66	207,179,395.27	487,737,990	6,647,758.50	481,090,231.50
Total United States.	7,473	143,762,658.50	277,813,310	45,806,000	89,443,500	13,720,873	133,339,825	20,188,461.27	724,074,627.77	733,692,820	11,567,796.00	722,125,024.00

[1] One report for Apr. 4, 1913.

Deposits and reserve of national banks on June 4, 1913.

Cities, States, and Territories.	Net deposits subject to reserve requirements.	Reserve required, and the amount and per cent held.							Cash on hand, due from reserve agents, and in the redemption fund.	
		Required.	Held.						Amount.	Per cent.
			Specie.	Legal tenders.	Redemption fund.	Available with reserve agents, not exceeding 50 per cent of net reserve required.	Total amount.	Per cent.		
New York City	$1,093,896,154.20	$273,474,038.55	$242,056,036.02	$50,461,912	$2,477,065.00	.....	$294,995,013.02	26.97	$294,995,013.02	26.97
Chicago	363,020,439.98	90,755,109.99	55,424,322.60	32,144,176	727,450.00	.....	88,295,948.60	24.32	88,295,948.60	24.32
St. Louis	111,170,462.55	27,792,615.64	17,342,171.90	8,199,971	768,319.50	.....	26,310,462.40	23.66	26,310,462.40	23.66
Central reserve cities	1,568,087,056.73	392,021,764.18	314,822,530.52	90,806,059	3,972,834.50	.....	409,601,424.02	26.12	409,601,424.02	26.12
Boston	235,937,447.19	58,984,361.80	26,634,789.70	4,790,952	427,900.00	$29,278,230.89	61,131,872.59	25.91	71,378,032.88	30.25
Albany	39,297,953.26	9,824,488.32	2,555,290.16	1,782,316	105,000.00	4,859,744.15	9,302,350.31	23.67	10,953,474.44	27.87
Brooklyn	23,836,325.80	5,959,081.45	2,914,784.75	708,296	51,850.00	2,891,819.50	6,566,750.25	27.55	6,566,750.25	27.55
Philadelphia	279,772,336.64	69,943,084.16	31,496,161.60	3,074,667	596,350.00	34,673,367.08	69,840,545.68	24.96	77,606,594.66	27.74
Pittsburgh	196,116,426.28	49,029,106.57	18,553,115.55	4,581,749	831,547.50	23,680,110.42	47,646,522.47	23.98	47,646,522.47	23.98
Baltimore	62,246,492.72	15,561,623.18	4,798,924.65	616,505	412,450.00	7,574,586.59	13,402,466.24	21.53	14,041,021.94	22.57
Washington	28,568,018.15	7,142,004.54	2,467,826.22	365,847	284,500.00	3,365,553.11	6,483,726.33	22.70	6,483,726.33	22.70
Savannah	1,857,723.80	464,430.95	164,097.00	8,334	40,000.00	169,296.82	381,727.82	20.54	381,727.82	20.54
New Orleans	25,217,548.95	6,304,387.24	2,404,338.65	357,721	163,500.00	3,070,443.61	5,996,003.26	23.78	6,354,814.31	25.20
Dallas	21,629,510.24	5,407,377.56	1,892,234.00	382,658	129,200.00	2,464,311.25	4,868,403.25	22.50	4,868,403.25	22.50
Fort Worth	14,981,247.51	3,745,311.88	1,286,698.25	658,780	109,100.00	1,818,105.93	3,872,684.18	25.85	4,065,714.34	27.14
Galveston	4,760,174.05	1,190,043.51	904,168.55	115,920	20,250.00	584,896.76	1,625,235.31	34.14	1,679,177.95	35.28
Houston	29,642,962.90	7,410,740.73	2,493,811.25	783,555	225,000.00	3,592,870.36	7,095,236.61	23.93	7,371,266.83	24.87
San Antonio	11,052,476.24	2,763,119.06	1,627,292.95	318,795	80,750.00	1,341,184.53	3,368,022.48	30.48	3,750,444.61	33.93
Waco	5,788,341.06	1,447,085.27	752,606.88	130,640	62,900.00	585,077.80	1,531,224.68	26.45	1,531,224.68	26.45
Louisville	29,537,728.00	7,384,432.00	2,520,543.00	794,477	247,750.00	3,568,341.00	7,131,111.00	24.14	7,869,119.32	26.64
Cincinnati	60,188,629.74	15,047,157.43	6,045,256.80	1,995,295	373,025.00	7,337,066.21	15,750,643.01	26.17	16,166,739.70	26.86
Cleveland	68,629,965.00	17,157,491.25	7,533,008.95	2,156,250	285,125.00	8,436,183.12	18,410,567.07	26.83	18,768,161.19	27.35
Columbus	23,639,013.72	5,909,753.43	2,315,052.05	832,214	119,750.00	2,748,037.57	6,015,053.62	25.45	6,015,053.62	25.45
Indianapolis	31,915,589.99	7,978,897.50	3,450,033.05	1,519,575	290,107.00	3,844,395.24	9,104,110.29	28.53	10,896,232.99	34.14
Detroit	46,914,596.64	11,728,649.16	3,104,755.00	2,962,202	107,650.00	5,810,499.58	11,985,106.58	25.55	13,526,522.94	28.83
Milwaukee	51,591,648.49	12,897,912.12	4,480,274.40	1,185,025	205,850.00	6,346,031.06	12,217,180.46	23.68	12,711,365.87	24.64
Minneapolis	61,364,504.08	15,341,126.02	5,862,567.95	1,378,277	99,750.00	6,329,513.27	13,670,108.22	22.27	13,670,108.22	22.27
St. Paul	40,873,142.66	10,218,285.67	3,995,373.10	1,192,933	41,250.00	4,974,393.17	10,203,949.27	24.96	10,203,949.27	24.96
Cedar Rapids	10,293,775.07	2,573,443.77	629,888.30	226,145	26,250.00	1,245,604.96	2,127,888.26	20.67	2,127,888.26	20.67
Des Moines	16,043,138.16	4,010,784.54	1,491,798.40	345,705	65,447.50	1,972,668.52	3,875,619.42	24.16	4,077,163.26	25.41
Dubuque	3,618,675.53	904,668.88	304,046.05	139,511	25,450.00	439,609.44	908,616.49	25.11	1,010,184.62	27.92

Deposits and reserve of national banks on June 4, 1913—Continued.

Cities, States, and Territories.	Net deposits subject to reserve requirements.	Reserve required, and the amount and per cent held.							Cash on hand, due from reserve agents, and in the redemption fund.	
		Required.	Held.							
			Specie.	Legal tenders.	Redemption fund.	Available with reserve agents, not exceeding 50 per cent of net reserve required.	Total amount.	Per cent.	Amount.	Per cent.
Sioux City	$12,997,107.50	$3,249,276.87	$1,112,821.90	$343,175	$43,750.00	$1,602,763.43	$3,102,510.33	23.87	$3,228,970.47	24.84
Kansas City, Mo	81,566,939.40	20,391,734.85	7,233,941.95	1,799,859	222,850.00	10,084,442.42	19,341,093.37	23.71	21,723,773.02	26.63
St. Joseph	13,335,196.44	3,333,799.11	1,313,012.90	194,388	45,897.50	1,643,950.80	3,197,249.20	23.98	3,815,454.31	28.61
Lincoln	6,656,099.11	1,664,024.78	555,309.80	282,388	46,525.00	572,693.81	1,456,916.61	21.88	1,456,916.61	21.88
Omaha	39,128,378.20	9,782,094.55	3,972,877.60	1,089,280	125,872.50	4,828,111.02	10,016,141.12	25.60	10,489,142.56	26.81
South Omaha	9,189,605.77	2,297,401.44	624,156.10	300,223	30,650.00	1,133,375.72	2,088,404.82	22.73	3,004,557.10	32.69
Kansas City, Kans	4,932,871.80	1,233,217.95	563,533.35	50,510	19,950.00	565,833.19	1,199,826.54	24.32	1,199,826.54	24.32
Topeka	3,389,138.20	847,284.55	407,627.85	73,980	15,000.00	416,142.27	912,750.12	26.93	967,982.68	28.56
Wichita	6,692,169.82	1,673,042.45	645,730.85	65,580	11,047.50	830,997.47	1,553,355.82	23.21	1,697,143.06	25.36
Denver	42,731,063.75	10,682,765.94	5,746,566.05	1,322,640	175,000.00	4,933,629.06	12,177,835.11	28.50	12,177,835.11	28.50
Pueblo	8,355,239.10	2,088,809.77	985,487.40	73,442	23,300.00	1,015,559.02	2,097,788.42	25.11	2,097,788.42	25.11
Muskogee	4,844,442.25	1,211,110.56	551,343.55	85,500	33,750.00	544,044.78	1,214,638.33	25.07	1,214,638.33	25.07
Oklahoma City	7,883,172.09	1,970,793.02	882,587.00	241,405	29,500.00	970,646.51	2,124,138.51	26.95	2,382,202.28	30.22
Seattle	35,198,357.96	8,799,589.49	4,463,463.35	75,909	79,450.00	4,360,069.74	8,978,892.09	25.50	9,213,852.24	26.18
Spokane	18,885,980.26	4,721,495.06	2,405,014.25	61,400	140,000.00	2,066,643.87	4,673,058.12	24.74	4,673,058.12	24.74
Tacoma	7,854,204.57	1,963,551.14	1,195,806.75	19,012	25,000.00	909,944.47	2,149,763.22	27.37	2,149,763.22	27.37
Portland	29,906,806.26	7,476,701.57	4,751,021.05	34,175	145,000.00	2,850,657.19	7,780,853.24	26.02	7,780,853.24	26.02
Los Angeles	54,679,499.16	13,669,874.79	6,253,137.15	493,030	253,500.00	5,223,311.13	12,222,978.28	22.36	12,222,978.28	22.36
San Francisco	119,056,019.87	29,764,004.97	14,009,510.62	146,239	1,097,500.00	14,043,172.73	29,296,422.35	24.60	29,296,422.35	24.60
Salt Lake City	13,276,773.65	3,319,193.41	1,721,015.30	65,000	98,500.00	1,201,749.11	3,086,264.41	23.25	3,086,264.41	23.25
Other reserve cities	1,945,874,457.03	486,468,614.26	202,072,701.98	40,221,479	8,089,744.50	232,799,679.68	483,183,605.16	24.83	515,600,808.37	26.50
All reserve cities	3,513,961,513.76	878,490,378.44	516,895,232.50	131,027,538	12,062,579.00	232,799,679.68	892,785,029.18	25.41	925,202,232.39	26.33
Maine	46,898,653.28	7,034,797.99	2,707,203.14	523,821	293,212.50	4,044,951.29	7,569,187.93	16.14	8,691,616.25	18.53
New Hampshire	22,268,769.99	3,340,315.50	1,203,184.82	494,699	241,175.00	1,859,484.29	3,798,543.11	17.06	5,885,892.33	26.43
Vermont	19,218,246.04	2,882,736.90	936,698.29	397,258	208,375.00	1,604,617.14	3,146,948.43	16.37	4,025,894.92	20.94
Massachusetts	140,721,736.97	21,108,260.55	6,889,509.86	3,814,364	978,500.00	12,077,856.32	23,760,230.18	16.88	29,796,441.36	21.17
Rhode Island	29,917,010.63	4,487,551.59	1,498,255.47	506,956	228,125.00	2,555,655.95	4,788,992.42	16.01	5,764,703.80	19.27
Connecticut	69,821,700.52	10,473,255.08	4,081,227.41	1,500,282	663,692.50	5,885,737.54	12,130,939.45	17.37	17,912,122.87	25.65
New England States.	328,846,117.43	49,326,917.61	17,316,078.99	7,237,380	2,613,080.00	23,028,302.53	55,194,841.52	16.78	72,076,671.53	21.92

New York	370,193,609.43	55,529,041.41	19,356,594.96	6,479,357	1,822,403.00	32,223,983.04	59,882,338.00	16.18	71,636,066.95	19.35
New Jersey	202,574,593.74	30,386,189.06	9,606,742.35	4,299,547	894,353.50	17,695,101.33	32,495,744.18	16.04	39,158,785.85	19.33
Pennsylvania	475,471,735.41	71,320,760.31	25,493,408.19	8,607,441	2,719,687.50	41,160,643.68	77,981,180.37	16.40	95,141,569.80	20.01
Delaware	8,513,102.98	1,276,965.45	496,074.75	172,844	63,512.00	728,072.06	1,460,502.81	17.16	1,752,839.11	20.59
Maryland	40,554,108.05	6,083,116.21	1,822,971.08	707,996	207,511.10	3,525,363.06	6,263,841.24	15.44	7,695,563.79	17.49
District of Columbia	1,031,403.06	154,710.46	74,710.00	12,640	12,500.00	85,326.27	185,176.27	17.95	256,056.09	24.83
Eastern States	1,098,338,552.67	164,750,782.90	56,850,501.33	20,279,825	5,719,967.10	95,418,489.44	178,268,782.87	16.23	215,040,881.59	19.58
Virginia	93,719,750.42	14,057,962.56	4,336,892.86	1,784,290	676,614.95	8,028,808.56	14,826,606.37	15.80	15,804,277.80	16.86
West Virginia	56,160,448.92	8,424,067.34	3,254,723.37	845,649	436,385.00	4,792,609.40	9,329,366.77	16.61	11,804,819.91	21.02
North Carolina	32,965,737.40	4,944,860.61	1,444,257.36	622,285	317,895.00	2,544,024.33	4,928,461.69	14.95	4,928,461.69	14.95
South Carolina	20,201,398.31	3,030,209.75	818,543.95	342,667	237,692.50	1,652,787.28	3,051,690.73	15.11	3,051,690.73	15.11
Georgia	42,547,683.67	6,382,152.55	2,433,230.70	1,004,150	530,711.00	3,510,864.93	7,478,956.63	17.58	9,002,574.42	21.16
Florida	36,918,647.97	5,537,797.20	2,008,966.84	803,460	284,145.00	3,152,191.31	6,248,763.15	16.93	8,198,236.27	22.21
Alabama	37,229,745.07	5,584,461.76	2,840,797.90	351,107	393,942.50	3,114,311.55	6,700,158.95	18.00	8,155,716.09	21.91
Mississippi	13,887,110.55	2,083,066.58	851,332.90	211,230	144,613.80	1,163,071.66	2,370,248.36	17.07	3,476,939.86	25.04
Louisiana	16,644,169.34	2,496,625.40	1,038,305.50	62,939	127,662.50	1,421,377.74	2,650,284.74	15.92	3,055,394.53	18.36
Texas	120,776,500.33	18,116,475.05	8,167,572.69	1,878,146	1,107,767.50	10,205,224.52	21,358,710.71	17.68	33,989,174.72	28.14
Arkansas	19,072,404.12	2,860,860.62	1,138,083.40	289,394	146,445.50	1,628,649.07	3,202,571.97	16.78	4,662,477.01	24.45
Kentucky	43,465,014.17	6,519,752.12	2,664,819.55	591,007	506,117.50	3,608,180.77	7,370,124.82	16.96	9,370,966.43	21.56
Tennessee	64,719,553.41	9,707,933.01	3,881,762.25	1,740,062	508,850.00	5,519,449.80	11,650,124.05	18.00	13,228,149.06	20.44
Southern States	598,308,163.68	89,746,224.55	34,879,289.27	10,526,386	5,418,842.75	50,341,550.92	101,166,068.94	16.91	128,728,878.52	21.52
Ohio	211,714,557.24	31,757,183.58	11,855,381.70	4,361,617	1,401,516.55	18,213,400.22	35,831,915.47	16.92	46,351,173.37	21.89
Indiana	127,799,890.35	19,169,983.55	8,015,040.07	2,248,950	935,145.40	10,940,902.89	22,140,038.36	17.32	30,918,577.37	24.19
Illinois	217,140,603.31	32,571,090.50	12,699,435.76	3,445,501	1,292,975.00	18,766,869.29	36,204,781.05	16.67	49,422,502.39	22.30
Michigan	92,318,092.81	13,847,713.92	5,204,449.85	1,847,991	416,135.00	8,058,947.35	15,527,523.20	16.82	16,387,844.78	17.75
Wisconsin	95,050,605.39	14,257,590.81	4,972,972.85	1,165,149	440,698.50	8,290,135.38	14,868,955.73	15.64	19,196,545.33	20.20
Minnesota	109,033,507.97	16,355,026.20	5,831,883.38	995,488	440,923.00	9,548,461.91	16,816,756.29	15 42	22,477,387.61	20.61
Iowa	123,092,911.33	18,463,936.70	6,382,245.20	1,690,602	737,727.71	10,635,725.39	19,446,300.30	15.79	26,135,221.46	21.23
Missouri	32,575,300.80	4,886,295.12	1,673,079.04	614,446	282,312.75	2,762,389.42	5,332,227.21	16.37	8,426,737.10	25.87
Middle States	1,008,725,469.20	151,308,820.38	56,634,487.85	16,369,744	5,947,433.91	87,216,831.85	166,168,497.61	16.47	218,315,989.41	21.64
North Dakota	34,156,079.53	5,123,411.93	1,795,198.05	371,247	196,238.35	2,956,304.14	5,318,987.54	15.57	7,195,282.28	21.07
South Dakota	32,524,541.88	4,878,681.28	1,971,587.85	345,655	157,015.00	2,832,999.76	5,307,257.61	16.32	7,815,769.88	24.03
Nebraska	57,484,779.56	8,622,716.93	3,318,115.30	500,178	418,238.00	4,922,687.36	9,159,218.66	15.93	14,042,161.49	24.43
Kansas	62,990,129.91	9,448,519.49	3,945,511.70	803,354	435,496.89	5,407,813.55	10,592,176.14	16.82	18,229,961.82	28.94
Montana	34,569,197.15	5,185,379.57	3,183,374.62	362,759	161,572.50	3,014,284.24	6,721,990.36	19.45	11,106,457.96	32.13
Wyoming	13,135,898.01	1,970,384.70	966,903.18	88,861	71,425.00	1,139,375.82	2,266,565.00	17.25	3,004,704.13	22.87
Colorado	38,730,570.50	5,809,585.58	2,821,813.40	508,763	246,248.00	3,338,002.54	6,914,826.94	17.86	12,064,638.29	31.15
New Mexico	15,082,617.80	2,262,392.67	1,029,974.65	162,032	83,200.00	1,307,515.60	2,582,722.25	17.12	3,632,100.44	24.08
Oklahoma	55,268,368.49	8,290,255.27	3,350,215.85	593,440	394,095.00	4,737,696.16	9,075,447.01	16.42	16,615,217.49	30.06
Western States	343,942,182.83	51,591,327.42	22,382,694.60	3,736,289	2,163,528.74	29,656,679.17	57,939,191.51	16.85	93,706,293.78	27.24
Washington	30,235,417.25	4,535,312.59	2,168,610.55	99,405	129,242.50	2,643,642.05	5,040,900.10	16.67	8,356,241.45	27.64
Oregon	29,327,686.13	4,399,152.92	2,758,554.78	39,308	174,783.00	2,534,621.95	5,507,267.73	18.78	8,235,841.72	28.08
California	127,304,756.39	19,095,713.46	9,915,420.76	344,911	836,840.00	10,955,324.07	22,052,495.83	17.31	29,118,716.52	22.87
Idaho	18,842,253.16	2,826,337.97	1,560,811.60	71,939	138,262.50	1,612,845.28	3,383,858.38	17.96	4,749,202.19	25.21

Deposits and reserve of national banks on June 4, 1913—Continued.

Cities, States, and Territories.	Net deposits subject to reserve requirements.	Reserve required, and the amount and per cent held.							Cash on hand, due from reserve agents, and in the redemption fund.	
		Required.	Held.							
			Specie.	Legal tenders.	Redemption fund.	Available with reserve agents, not exceeding 50 per cent of net reserve required.	Total amount.	Per cent.	Amount.	Per cent.
Utah	$7,899,595.98	$1,184,939.40	$514,134.35	$44,489	$46,162.50	$683,266.13	$1,288,051.98	16.31	$1,570,454.19	19.88
Nevada	6,587,718.61	988,157.79	614,037.40	15,710	78,950.00	545,524.67	1,254,222.07	19.04	1,930,182.70	29.30
Arizona	9,520,662.66	1,428,099.40	741,023.45	97,999	47,075.50	828,614.33	1,714,712.28	18.01	3,326,165.75	34.94
Alaska [1]	852,680.20	127,902.03	304,801.29	17,060	3,125.00	74,866.21	399,852.50	46.89	494,205.89	57.96
Pacific States	230,570,770.38	34,585,615.56	18,577,394.18	730,821	1,454,441.00	19,878,704.69	40,641,360.87	17.63	57,781,010.41	25.06
Island possessions (Hawaii)	1,941,602.46	291,240.37	538,949.05	30	15,012.50	148,571.32	702,562.87	36.18	702,562.87	36.18
Total States, etc	3,610,672,858.65	541,600,928.79	207,179,395.27	58,880,475	23,332,306.00	310,689,129.92	600,081,306.19	16.62	786,352,288.11	21.78
Total United States.	7,124,634,372.41	1,420,091,307.23	724,074,627.77	189,908,013	35,394,885.00	543,488,809.60	1,492,866,335.37	20.95	1,711,554,520.50	24.02

[1] One report for Apr. 4, 1913.

Abstract of the reports of condition of national banks in the United States on June 4, 1913, arranged by classes.

	Central reserve city banks (52).	Other reserve city banks (315).	Country banks (6,806).	Total (7,173).
RESOURCES.				
Loans and discounts	$1,315,735,176.67	$1,640,317,608.33	$3,186,975,347.94	$6,143,028,132.94
Overdrafts	356,717.17	3,183,861.62	15,465,573.23	19,006,152.02
United States bonds to secure circulation	81,355,090.00	164,633,240.00	489,238,540.00	735,226,870.00
United States bonds to secure United States deposits	3,670,000.00	18,547,500.00	24,844,190.00	47,061,690.00
Other bonds to secure United States deposits	3,066,402.44	17,122,899.04	23,408,628.10	43,597,929.58
United States bonds on hand	1,000,120.00	1,734,800.00	3,603,080.00	6,338,000.00
Premiums on United States bonds	787,774.53	1,990,011.55	4,098,850.81	6,876,636.89
Bonds, securities, etc	210,810,479.10	235,190,549.44	604,586,627.01	1,050,587,655.55
Banking house, furniture and fixtures	37,931,243.04	65,751,006.40	145,206,704.51	248,888,953.95
Other real estate owned	1,543,592.52	7,769,305.11	22,020,050.53	31,332,948.16
Due from national banks (not reserve agents)	144,611,713.50	194,344,454.86	100,065,031.68	439,021,200.04
Due from State banks and bankers, trust companies, etc.	50,308,317.15	91,646,988.98	53,034,760.41	194,990,066.54
Due from approved reserve agents	.....	265,216,882.89	496,960,111.84	762,176,994.73
Checks and other cash items	6,815,197.36	11,902,552.93	18,374,495.47	37,092,245.76
Exchanges for clearing house	168,229,831.61	73,360,235.77	15,970,425.19	257,560,492.57
Bills of other national banks	4,339,135.00	14,793,766.00	32,405,907.00	51,538,808.00
Fractional currency, nickels, and cents	262,100.16	869,677.72	2,448,704.80	3,580,482.68
Specie	314,822,5[illegible]0.52	202,072,701.98	207,179,395.27	724,074,627.77
Legal-tender notes	90,806,059.00	40,221,479.00	58,880,475.00	189,908,013.00
Five per cent redemption fund	3,972,834.50	8,089,744.50	23,332,306.00	35,394,885.00
Due from Treasurer of United States other than 5 per cent fund	4,751,693.46	3,311,012.00	1,574,266.40	9,636,971.86
Total	2,445,176,007.73	3,062,070,278.12	5,529,673,471.19	11,036,919,757.04
LIABILITIES.				
Capital stock paid in	182,650,000.00	264,217,710.00	610,052,082.00	1,056,919,792.00
Surplus fund	164,245,000.00	187,736,975.77	368,624,816.77	720,606,792.54
Undivided profits, less expenses and taxes	56,121,856.33	63,689,642.05	148,329,464.19	268,140,962.57
National-bank notes outstanding	79,132,825.00	161,901,967.50	481,090,231.50	722,125,024.00
State-bank notes outstanding	16,516.00	468.00	5,431.00	22,415.00
Due to national banks (not reserve agents)	534,790,339.03	411,957,865.59	70,712,668.42	1,017,460,873.04
Due to State banks and bankers	205,009,999.23	216,121,788.43	107,133,116.76	528,264,904.42
Due to trust companies and savings banks	224,695,080.64	227,697,703.81	76,547,400.02	528,940,184.47
Due to approved reserve agents	.....	31,431,888.90	14,453,720.86	45,885,609.76
Dividends unpaid	251,028.97	191,478.77	1,086,687.83	1,529,195.57
Individual deposits	975,581,299.58	1,435,930,189.14	3,541,950,062.40	5,953,461,551.12
United States deposits	4,529,269.11	19,291,072.78	19,297,876.16	43,118,218.05
Postal savings deposits	1,102,635.28	6,379,859.18	11,179,381.01	18,661,875.47
Deposits of United States disbursing officers	487,006.83	3,018,281.21	3,101,533.04	6,606,821.08
Bonds borrowed	13,449,040.00	19,110,361.25	10,656,064.33	43,215,465.58
Notes and bills rediscounted	65,000.00	2,898,462.25	11,117,518.11	14,080,980.36
Bills payable	335,000.00	8,274,951.60	50,215,843.32	58,825,794.92
Reserved for taxes	2,591,111.73	2,153,119.72	2,286,412.65	7,030,644.10
Liabilities other than those above stated	123,000.00	66,492.17	1,833,160.82	2,022,652.99
Total	2,445,176,007.73	3,062,070,278.12	5,529,673,471.19	11,036,919,757.04

Number of national banks showing savings deposits and amount of savings deposits as shown by call of June 4, 1913.

States.	Total number of banks.	Number showing savings deposits.	Amount of savings deposits.
Maine	69	43	$24,120,447.31
New Hampshire	56	15	1,925,537.66
Vermont	49	31	9,011,843.60
Massachusetts	180	35	15,910,306.46
Rhode Island	20	5	5,220,718.71
Connecticut	79	14	3,497,610.78
New England States	453	143	59,686,464.52
New York	474	240	84,851,995.17
New Jersey	200	152	60,029,284.94
Pennsylvania	836	624	201,406,779.21
Delaware	26	15	2,055,525.60
Maryland	105	80	22,090,404.98
District of Columbia	12	4	1,398,971.49
Eastern States	1,653	1,115	371,832,961.39
Virginia	133	90	28,653,611.43
West Virginia	116	70	9,756,259.37
North Carolina	73	42	5,637,634.71
South Carolina	48	39	8,844,239.58
Georgia	118	48	8,729,484.06
Florida	52	42	11,141,955.83
Alabama	87	41	7,860,936.63
Mississippi	33	11	1,252,132.90
Louisiana	31	15	1,978,255.16
Texas	514	62	8,728,699.08
Arkansas	49	15	981,235.96
Kentucky	144	27	4,156,304.70
Tennessee	107	41	9,144,145.65
Southern States	1,505	543	106,864,895.06
Ohio	380	167	42,656,146.38
Indiana	254	71	9,617,374.55
Illinois	457	240	$44,713,556.04
Michigan	99	88	45,215,105.75
Wisconsin	129	110	35,418,313.93
Minnesota	271	154	18,877,599.59
Iowa	340	132	10,403,195.75
Missouri	133	30	3,428,705.39
Middle States	2,063	992	210,329,997.38
North Dakota	144	47	1,149,111.28
South Dakota	103	50	1,457,928.30
Nebraska	242	47	3,891,978.05
Kansas	213	54	1,905,777.18
Montana	57	21	1,924,229.75
Wyoming	30	12	557,548.42
Colorado	126	39	8,008,174.28
New Mexico	40	8	207,661.67
Oklahoma	325	57	1,373,050.27
Western States	1,280	335	20,475,459.20
Washington	77	59	17,159,427.25
Oregon	83	35	3,716,939.06
California	252	106	23,051,411.53
Idaho	54	30	1,395,799.92
Utah	23	17	3,460,969.16
Nevada	11	4	614,240.56
Arizona	13	2	44,762.47
Alaska	2	1	81,674.33
Pacific States	515	254	49,525,224.28
Island possessions (Hawaii)	4	3	354,964.73
United States	7,473	3,385	829,070,166.56

APPENDIX C.

The bill as reported to the House is as follows:

A BILL To provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this act shall be the "Federal reserve act."

FEDERAL RESERVE DISTRICTS.

SEC. 2. That within ninety days after the passage of this act, or as soon thereafter as practicable, the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, acting as "The Reserve Bank Organization Committee," shall designate from among the reserve and central reserve cities now authorized by law a number of such cities to be known as Federal reserve cities, and shall divide the continental United States into districts, each district to contain one of such Federal reserve cities: *Provided,* That the districts shall be apportioned with due regard to the convenience and customary course of business of the community and shall not necessarily coincide with the area of such State or States as may be wholly or in part included in any given district. The districts thus created may be readjusted and new districts may from time to time be created by the Federal reserve board hereinafter established, acting upon a joint application made by not less than ten member banks desiring to be organized into a new district. The districts thus constituted shall be known as Federal reserve districts and shall be designated by number according to the pleasure of the organization committee, and no Federal reserve district shall be abolished, nor the location of a Federal reserve bank changed, except upon the application of three-fourths of the member banks of such district.

The organization committee shall, in accordance with regulations to be established by itself, proceed to organize in each of the reserve cities designated as hereinbefore specified a Federal reserve bank. Each such Federal reserve bank shall include in its title the name of the city in which it is situated, as "Federal Reserve Bank of Chicago," and so forth. The total number of reserve cities designated by the organization committee shall be not less than twelve, and the organization committee shall be authorized to employ counsel and expert aid, to take testimony, to send for persons and papers, to administer oaths, and to make such investigations as may be deemed necessary by the said committee for the purpose of determining the reserve cities to be designated and organizing the reserve districts hereinbefore provided.

Every national bank located within a given district shall be required to subscribe to the capital stock of the Federal reserve bank of that district a sum equal to twenty per centum of the capital stock of such national bank, fully paid in and unimpaired, one-fourth of such subscription to be paid in cash and one-fourth within sixty days after said subscription is made. The remainder of the subscription or any part thereof shall become a liability of the member bank, subject to call and payment thereof whenever necessary to meet the

obligations of the Federal reserve bank, under such terms and in accordance with such regulations as the board of directors of said Federal reserve bank may prescribe: *Provided*, That no Federal reserve bank shall commence business with a paid-up and unimpaired capital less in amount than $5,000,000. The organization committee shall have power to appoint such assistants and incur such expenses in carrying out the provisions of this act as it shall deem necessary, and such expenses shall be payable by the Treasurer of the United States upon voucher approved by the Secretary of the Treasury, and the sum of $100,000, or so much thereof as may be necessary, is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, for the payment of such expenses.

STOCK ISSUES.

SEC. 3. That the capital stock of each Federal reserve bank shall be divided into shares of $100 each. The outstanding capital stock shall be increased from time to time as member banks increase their capital stock or as additional banks become subscribers, and shall be decreased as member banks reduce their capital stock or cease to be members. Each Federal reserve bank may establish branch offices under regulations of the Federal reserve board at points within the Federal reserve district in which it is located: *Provided*, That the total number of such branches shall not exceed one for each $500,000 of the capital stock of said Federal reserve bank.

FEDERAL RESERVE BANKS.

SEC. 4. The national banks in each Federal reserve district uniting to form the Federal reserve bank therein, hereinbefore provided for, shall under their seals make an organization certificate, which shall specifically state the name of such Federal reserve bank so organized, the territorial extent of the district over which the operations of said Federal reserve bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock and the number of shares into which the same is divided, the names and places of doing business of each of the makers of said certificates and the number of shares held by each of them, and the fact that the certificate is made to enable such banks to avail themselves of the advantages of this act. The said organization certificate shall be acknowledged before a judge of some court of record or notary public; and shall be, together with the acknowledgment thereof, authenticated by the seal of such court, or notary, transmitted to the Comptroller of the Currency, who shall file, record, and carefully preserve the same in his office. Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank so formed shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all these acts and to enjoy all those privileges and to exercise all those powers described in section fifty-one hundred and thirty-six, Revised Statutes, save in so far as the same shall be limited by the provisions of this act. The Federal reserve bank so incorporated shall have succession for a period of twenty years from its organization, unless sooner dissolved by act of Congress.

Every Federal reserve bank shall be conducted under the oversight and control of a board of directors, whose powers shall be the same as those conferred upon the boards of directors of national banking associations under existing law, not inconsistent with the provisions of this act. Such board of directors shall be constituted and elected as hereinafter specified and shall consist of nine members, holding office for three years, and divided into three classes, designated as classes A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stock-holding banks.

Class B shall consist of three members, who shall be representative of the general public interests of the reserve district.

Class C shall consist of three members, who shall be designated by the Federal reserve board.

Directors of class A shall be chosen in the following manner:

It shall be the duty of the chairman of the board of directors of the Federal reserve bank of the district in which each such bank is situated to classify the member banks of the said district into three general groups or divisions. Each such group shall contain as nearly as may be one-third of the aggregate number of said member banks of the said district and shall consist, as nearly as may be, of banks of similar capitalization. The said groups shall be designated by number at the pleasure of the chairman of the board of directors of the Federal reserve bank.

At a regularly called directors' meeting of each member bank in the Federal reserve district aforesaid, the board of directors of such member bank shall elect by ballot one of its own members as a district reserve elector and shall certify his name to the chairman of the board of directors of the Federal reserve bank of the district. The said chairman shall establish lists of the district reserve electors, class A, thus named by banks in each of the aforesaid three groups, and shall transmit one list to each such elector in each group. Every elector shall, within fifteen days of the receipt of the said list, select and certify to the said chairman from among the names on the list pertaining to his group, transmitted to him by the chairman, one name, not his own, as representing his choice for Federal reserve director, class A. The name receiving the greatest number of votes, not less than a majority, shall be designated by said chairman as Federal reserve director for the group to which he belongs. In case no candidate shall receive a majority of all votes cast in any district, the chairman aforesaid shall establish an eligible list, consisting of the three names receiving the greatest number of votes on the first ballot, and shall transmit said list to the electors in each of the groups of banks established by him. Each elector shall at once select and certify to the said chairman from among the three persons submitted to him his choice for Federal reserve director, class A, and the name receiving the greatest number of such votes shall be declared by the chairman as Federal reserve director, class A. In case of a tie vote the balloting shall continue in the manner hereinbefore prescribed until one candidate receives more votes than either of the others.

Directors of class B shall be chosen by the electors of the respective groups at the same time and in the same manner prescribed for directors of class A, except that they must be selected from a list of names furnished, one by each member bank, and such names shall in no case be those of officers or directors of any bank or banking

association. They shall not accept office as such during the term of their service as directors of the Federal reserve bank. They shall be fairly representative of the commercial, argicultural, or industrial interests of their respective districts. The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

Three directors belonging to class C shall be chosen directly by the Federal reserve board, who shall be residents of the district for which they are selected, one of whom shall be designated by said board as chairman of the board of directors of the Federal reserve bank of the district to which he is appointed and shall be designated as "Federal reserve agent." He shall be a person of tested banking experience; and in addition to his duties as chairman of the board of directors of the Federal reserve bank of the district to which he is appointed he shall be required to maintain under regulations to be established by the Federal reserve board a local office of said board, which shall be situated on the premises of the Federal reserve bank of the district. He shall make regular reports to the Federal reserve board, and shall act as its official representative for the performance of the functions conferred upon it by this act. He shall receive an annual compensation to be fixed by the Federal reserve board and paid monthly by the Federal reserve bank to which he is designated.

Directors of Federal reserve banks shall receive, in addition to any compensation otherwise provided, a reasonable allowance for necessary expenses in attending meetings of their respective boards, which amount shall be paid by the respective Federal reserve banks. Any compensation that may be provided by boards of directors of Federal reserve banks for members of such boards shall be subject to review by the Federal reserve board.

The reserve bank organization committee may, in organizing Federal reserve banks for the first time, call such meetings of bank directors in the several districts as may be necessary to carry out the purposes of this act and may exercise the functions herein conferred upon the chairman of the board of directors of each Federal reserve bank pending the complete organization of such bank.

At the first meeting of the full board of directors of each Federal reserve bank after organization it shall be the duty of the directors of classes A and B and C, respectively, to designate one of the members of each class whose term of office shall expire in one year from the first of January nearest to date of such meeting, one whose term of office shall expire at the end of two years from said date, and one whose term of office shall expire at the end of three years from said date. Thereafter every director of a Federal reserve bank chosen as hereinbefore provided shall hold office for a term of three years; but the chairman of the board of directors of each Federal reserve bank designated by the Federal reserve board, as hereinbefore described, shall be removable at the pleasure of the said board without notice, and his successor shall hold office during the unexpired term of the director in whose place he was appointed. Vacancies that may occur in the several classes of directors of Federal reserve banks may be filled in the manner provided for the original selection of such directors, such appointees to hold office for the unexpired terms of their predecessors.

INCREASE AND DECREASE OF CAPITAL.

SEC. 5. That shares of the capital stock of Federal reserve banks shall not be transferable, nor be hypothecated. In case a member bank increases its capital, it shall thereupon subscribe for an additional amount of capital stock of the Federal reserve bank of its district equal to twenty per centum of the bank's own increase of capital, ten per centum of said subscription to be paid in cash in the manner hereinbefore provided for original subscription, and ten per centum to become a liability of the member bank according to the terms of the original subscription. A bank applying for stock in a Federal reserve bank at any time after the formation of the latter must subscribe for an amount of the capital of said Federal reserve bank equal to twenty per centum of the capital stock of said subscribing bank, paying therefor its par value in accordance with the terms prescribed by section two of this act. When the capital stock of any Federal reserve bank has been increased either on account of the increase of capital stock of member banks or on account of the increase in the number of member banks, the board of directors shall make and execute a certificate to the Comptroller of the Currency showing said increase in capital, the amount paid in, and by whom paid. In case a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal reserve bank, and in case a member bank goes into voluntary liquidation it shall surrender all of its holdings of the capital stock of said Federal reserve bank. In either case the shares surrendered shall be canceled and such member bank shall receive in payment therefor, under regulations to be prescribed by the Federal reserve board, a sum equal to its cash paid subscriptions on the shares surrendered.

SEC. 6. That if any member bank shall become insolvent and a receiver be appointed the stock held by it in said Federal reserve bank shall be canceled and the balance, after deducting from the amount of its cash-paid subscriptions all debts due by such insolvent bank to said Federal reserve bank, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal reserve bank is reduced, either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of any such member bank, the board of directors shall make and execute a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank.

DIVISION OF EARNINGS.

SEC. 7. That after the payment of all necessary expenses and taxes of a Federal reserve bank, the member banks shall be entitled to receive an annual dividend of five per centum on the paid-in capital stock, which dividend shall be cumulative. One-half of the net earnings, after the aforesaid dividend claims have been fully met, shall be paid into a surplus fund until such fund shall amount to twenty per centum of the paid-in capital stock of such bank, and of the remaining one-half sixty per centum shall be paid to the United States and forty per centum to the member banks in the ratio of their average balances with the Federal reserve bank for the preceding

year. Whenever and so long as the surplus fund of a Federal reserve bank amounts to twenty per centum of the paid-in capital stock and the member banks shall have received the dividends at the rate of five per centum per annum hereinbefore provided for, sixty per centum of all excess earnings shall be paid to the United States and forty per centum to the member banks in proportion to their annual average balances with such Federal reserve bank; all earnings derived by the United States from Federal reserve banks shall constitute a sinking fund to be held for the reduction of the outstanding bonded indebtedness of the United States, said reduction to be accomplished under regulations to be prescribed by the Secretary of the Treasury. Should a Federal reserve bank be dissolved or go into liquidation, the surplus fund of said bank, after the payment of all debts and dividend requirements as hereinbefore provided for, shall be paid to and become the property of the United States.

Every Federal reserve bank incorporated under the terms of this act and the capital stock therein held by member banks shall be exempt from Federal, State, and local taxation, except in respect to taxes upon real estate.

SEC. 8. That any national banking association heretofore organized may upon application at any time within one year after the passage of this act, and with the approval of the Comptroller of the Currency, be granted, as herein provided, all the rights, and be subject to all the liabilities, of national banking associations organized subsequent to the passage of this act: *Provided*, That such application on the part of such associations shall be authorized by the consent in writing of stockholders owning not less than a majority of the capital stock of the association. Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved; but such dissolution shall not take away or impair any remedy against such corporation, its stockholders or officers, for any liability or penalty which shall have previously been incurred.

SEC. 9. That any bank or banking association incorporated by special law of any State or of the United States, or organized under the general laws of any State or the United States, and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of existing laws, may, by the consent in writing of the shareholders owning not less than fifty-one per centum of the capital stock of such bank or banking association, and with the approval of the Comptroller of the Currency, become a national banking association under its former name or by any name approved by the comptroller. The directors thereof may continue to be the directors of the association so organized until others are elected or appointed in accordance with the provisions of the law. When the comptroller has given to such bank or banking association a certificate that the provisions of this act have been complied with, such bank or banking association, and all its stockholders, officers, and employees, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by this act or by the national banking act for associations originally organized as national banking associations.

STATE BANKS AS MEMBERS.

SEC. 10. That from and after the passage of this act any bank or banking association or trust company incorporated by special law of any State, or organized under the general laws of any State or the United States, may make application to the Federal reserve board hereinafter created for the right to subscribe to the stock of the Federal reserve bank organized or to be organized within the Federal reserve district where the applicant is located. The Federal reserve board, under such rules and regulations as it may prescribe, subject to the provisions of this section, shall permit such applying bank to become a stockholder in the Federal reserve bank of the district in which such applying bank is located. Whenever the Federal reserve board shall permit such an applying bank to become a stockholder in the Federal reserve bank of the district in which the applying bank is located, stock shall be issued and paid for under the rules and regulations in this act provided for national banks which become stockholders in Federal reserve banks.

It shall be the duty of the Federal reserve board to establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies hereinbefore referred to for stock ownership in Federal reserve banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve requirements and submit to the inspection and regulation provided for in this and other laws relating to national banks. No such applying bank shall be admitted to stock ownership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act, and conforms to the provisions herein prescribed for national banking associations of similar capitalization and to the regulations of the Federal reserve board.

If at any time it shall appear to the Federal reserve board that a banking association or trust company organized under the laws of any State or of the United States has failed to comply with the provisions of this section or the regulations of the Federal reserve board, it shall be within the power of the said board to require such banking association or trust company to surrender its stock in the Federal reserve bank in which it holds stock upon receiving from such Federal reserve bank the cash-paid subscriptions to the said stock in current funds, and said Federal reserve bank shall, upon notice from the Federal reserve board, be required to suspend said banking association or trust company from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided.

FEDERAL RESERVE BOARD.

SEC. 11. That there shall be created a Federal reserve board, which shall consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President of the United States, by and with the advice and

consent of the Senate. In selecting the four appointive members of the Federal reserve board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of different geographical divisions of the country. The four members of the Federal reserve board chosen by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal reserve board and shall each receive an annual salary of $10,000, together with an allowance for actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of said Federal reserve board, shall, in addition to the salary now paid him as comptroller, receive the sum of $5,000 annually for his services as a member of said board. Of the members thus appointed by the President not more than two shall be of the same political party, and at least one shall be a person experienced in banking. One shall be designated by the President to serve for two, one for four, one for six, and one for eight years, respectively, and thereafter each member so appointed shall serve for a term of eight years unless sooner removed for cause by the President. Of the four persons thus appointed, one shall be designated by the President as manager and one as vice manager of the Federal reserve board. The manager of the Federal reserve board, subject to the supervision of the Secretary of the Treasury and Federal reserve board, shall be the active executive officer of the Federal reserve board.

The Federal reserve board shall have power to levy semiannually upon the Federal reserve banks, in proportion to capital stock, an assessment sufficient to pay its estimated expenses for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal reserve board shall be held in Washington, District of Columbia, as soon as may be after the passage of this act, at a date to be fixed by the reserve bank organization committee. The Secretary of the Treasury shall be ex officio chairman of the Federal reserve board. No member of the Federal oeserve board shall be an officer or director of any bank or banking institution or Federal reserve bank nor hold stock in any bank or banking institution; and before entering upon his duties as a member of the Federal reserve board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the four members of the Federal reserve board chosen by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when chosen shall hold office for the unexpired term of the member whose place he is selected to fill.

The Federal reserve board shall annually make a report of its fiscal operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section three hundred and twenty-four of the Revised Statutes of the United States shall be amended so as to read as follows: "There shall be in the Department of the Treasury a bureau charged, except as in this act otherwise provided, with the execution of all laws passed by Congress relating to the issue and regulation of currency issued by or through banking associations, the chief officer of which bureau

shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury, acting as the chairman of the Federal reserve board:" *Provided, however,* That nothing herein contained shall be construed to affect any power now vested by law in the Comptroller of the Currency or the Secretary of the Treasury.

SEC. 12. That the Federal reserve board hereinbefore established shall be authorized and empowered:

(a) To examine at its discretion the accounts, books, and affairs of each Federal reserve bank and to require such statements and reports as it may deem necessary. The said board shall publish once each week a statement showing the condition of each Federal reserve bank and a consolidated statement for all Federal reserve banks. Such statements shall show in detail the assets and liabilities of such Federal reserve banks, single and combined, and shall furnish full information regarding the character of the lawful money held as reserve and the amount, nature, and maturities of the paper owned by Federal reserve banks.

(b) To permit or require, in time of emergency, Federal reserve banks to rediscount the discounted prime paper of other Federal reserve banks, at least five members of the Federal reserve board being present when such action is taken and all present consenting to the requirement. The exercise of this compulsory rediscount power by the Federal reserve board shall be subject to an interest charge to the accommodated bank of not less than one nor greater than three per centum above the higher of the rates prevailing in the districts immediately affected.

(c) To suspend for a period not exceeding thirty days (and to renew such suspension for periods not to exceed fifteen days) any and every reserve requirement specified in this act: *Provided,* That it shall establish a graduated tax upon the amounts by which the reserve requirements of this act may be permitted to fall below the level hereinafter specified, such tax to be uniform in its application to all banks; but said board shall not suspend the reserve requirements with reference to Federal reserve notes.

(d) To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.

(e) To add to the number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements set forth in section twenty of this act; or to reclassify existing reserve and central reserve cities and to designate the banks therein situated as country banks at its discretion.

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

(g) To require the writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.

(h) To suspend, for cause relating to violation of any of the provisions of this act, the operations of any Federal reserve bank and appoint a receiver therefor.

(i) To perform the duties, functions, or services specified or implied in this act.

FEDERAL ADVISORY COUNCIL.

SEC. 13. There is hereby created a Federal advisory council, which shall consist of as many members as there are Federal reserve districts. Each Federal reserve bank by its board of directors shall annually select from its own Federal reserve district one member of said council, who shall receive no compensation for his services, but may be reimbursed for actual necessary expenses. The meetings of said advisory council shall be held at Washington, District of Columbia, at least four times each year, and oftener if called by the Federal reserve board. The council may select its own officers and adopt its own methods of procedure, and a majority of its members shall constitute a quorum for the transaction of business. Vacancies in the council shall be filled by the respective reserve banks, and members selected to fill vacancies shall serve for the unexpired term.

The Federal advisory council shall have power (1) to meet and confer directly with the Federal reserve board on general business conditions; (2) to make oral or written representations concerning matters within the jurisdiction of said board; (3) to call for complete information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open-market operations by said banks, and the general affairs of the reserve banking system.

REDISCOUNTS.

SEC. 14. That any Federal reserve bank may receive from any member bank or, solely for exchange purposes, from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent banks, payable upon presentation.

Upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions; that is, notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or may be used, for such purposes, the Federal reserve board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act, but such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities; nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise from being eligible for such discount. Notes and bills admitted to discount under the terms of this paragraph must have a maturity of not more than ninety days.

Upon the indorsement of any member bank any Federal reserve bank may discount the paper of the classes hereinbefore described having a maturity of more than sixty and not more than one hundred and twenty days when its own cash reserve exceeds thirty-three and one-third per centum of its total outstanding demand liabilities exclusive of its outstanding Federal reserve notes by an amount to be

fixed by the Federal reserve board; but not more than fifty per centum of the total paper so discounted for any member bank shall have a maturity of more than ninety days.

Upon the indorsement of any member bank any Federal reserve bank may discount acceptances of such banks which are based on the exportation or importation of goods and which mature in not more than six months and bear the signature of at least one member bank in addition to that of the acceptor. The amount so discounted shall at no time exceed one-half the capital stock of the bank for which the rediscounts are made.

The aggregate of such notes and bills bearing the signature or indorsement of any one person, company, firm, or corporation rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any national bank may, at its discretion, accept drafts or bills of exchange drawn upon it having not more than six months' sight to run and growing out of transactions involving the importation or exportation of goods; but no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half the face value of its paid-up and unimpaired capital.

OPEN-MARKET OPERATIONS.

SEC. 15. That any Federal reserve bank may, under rules and regulations prescribed by the Federal reserve board, purchase and sell in the open market, either from or to domestic or foreign banks, firms, corporations, or individuals, prime bankers' bills, and bills of exchange of the kinds and maturities by this act made eligible for rediscount, and cable transfers.

Every Federal reserve bank shall have power (a) to deal in gold coin and bullion both at home and abroad, to make loans thereon, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds; (b) to invest in United States bonds, and bonds issued by any State, county, district, or municipality; (c) to purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined, payable in foreign countries; but such bills of exchange must have not exceeding ninety days to run and must bear the signature of two or more responsible parties, of which the last shall be that of a member bank; (d) to establish each week, or as much oftener as required, subject to review and determination of the Federal reserve board, a rate of discount to be charged by such bank for each class of paper, which shall be fixed with a view of accommodating the commerce of the country; and (e) with the consent of the Federal reserve board, to open and maintain banking accounts in foreign countries and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting foreign bills of exchange, and to buy and sell with or without its indorsement, through such correspondents or agencies, prime foreign bills of exchange arising out of commercial transactions which have not exceeding ninety days to run and which bear the signature of two or more responsible parties.

GOVERNMENT DEPOSITS.

SEC. 16. That all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury, within twelve months after the passage of this act, be deposited in Federal reserve banks, which banks shall act as fiscal agents of the United States; and thereafter the revenues of the Government shall be regularly deposited in such banks, and disbursements shall be made by checks drawn against such deposits.

The Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time, apportion the funds of the Government among the said Federal reserve banks, distributing them, as far as practicable, equitably between different sections, and may, at their joint discretion, charge interest thereon and fix, from month to month, a rate which shall be regularly paid by the banks holding such deposits: *Provided*, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.

No Federal reserve bank shall receive or credit deposits except from the Government of the United States, its own member banks, and, to the extent permitted by this act, from other Federal reserve banks. All domestic transactions of the Federal reserve banks involving a rediscount operation or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.

NOTE ISSUES.

SEC. 17. That Federal reserve notes, to be issued at the discretion of the Federal reserve board for the purpose of making advances to Federal reserve banks as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues. They shall be redeemed in gold or lawful money on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or at any Federal reserve bank.

Any Federal reserve bank may, upon vote of its directors, make application to the local Federal reserve agent for such amount of the Treasury notes hereinbefore provided for as it may deem best. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral security to protect the notes for which application is made equal in amount to the sum of the notes thus applied for. The collateral security thus offered shall be notes and bills accepted for rediscount under the provisions of section fourteen of this act, and the Federal reserve agent shall each day notify the Federal reserve board of issues and withdrawals of notes to and by the Federal reserve bank to which he is accredited. The said Federal reserve board shall be authorized at any time to call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

Whenever any Federal reserve bank shall pay out or disburse Federal reserve notes issued to it as hereinbefore provided, it shall segregate in its own vaults and shall carry to a special reserve account on its books gold or lawful money equal in amount to thirty-three and one-third per centum of the reserve notes so paid out by it, such

reserve to be used for the redemption of said reserve notes as presented; but any Federal reserve bank so using any part of such reserve to redeem notes shall immediately carry to said reserve account an amount of gold or lawful money sufficient to make said reserve equal to thirty-three and one-third per centum of its outstanding Treasury notes. Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assinged by the Federal reserve board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank through which they were originally issued, or shall be charged off against Government deposits and returned to the Treasury of the United States, or shall be presented to the said Treasury for redemption. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid and returned to the Federal reserve banks through which they were originally issued, and Federal reserve notes received by the Treasury otherwise than for redemption shall be exchanged for lawful money out of the five per centum redemption fund hereinafter provided and returned as hereinbefore provided to the reserve bank through which they were originally issued.

The Federal reserve board shall have power, in its discretion, to require Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to five per centum of such amount of Federal reserve notes as may be issued to them under the provisions of this act; but such five per centum shall be counted and included as part of the thirty-three and one-third per centum reserve hereinbefore required. The said board shall also have the right to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent and in the amount that such application may be granted the Federal reserve board shall, through its local Federal reserve agent, deposit Federal reserve notes with the bank so applying, and such bank shall be charged with the amount of such notes and shall pay such rate of interest on said amount as may be established by the Federal reserve board, which rate shall not be less than one-half of one per centum per annum, and the amount of such Federal reserve notes so issued to any such bank shall, upon delivery, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by the deposit of Federal reserve notes, whether issued to such bank or to some other reserve bank, or lawful money of the United States, or gold bullion, with any Federal reserve agent or with the Treasurer of the United States, and such reduction shall be accompanied by a corresponding reduction in the required reserve fund of lawful money set apart for the redemption of said notes and by the release of a corresponding amount of the collateral security deposited with the local Federal reserve agent.

Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of Federal reserve notes deposited with it and shall at the same time substitute other collateral of equal value approved by the Federal

reserve agent under regulations to be prescribed by the Federal reserve board.

It shall be the duty of every Federal reserve bank to receive on deposit, at par and without charge for exchange or collection, checks and drafts drawn upon any of its depositors or by any of its depositors upon any other depositor and checks and drafts drawn by any depositor in any other Federal reserve bank upon funds to the credit of said depositor in said reserve bank last mentioned, nothing herein contained to be construed as prohibiting member banks from making reasonable charges to cover actual expenses incurred in collecting and remitting funds for their patrons. The Federal reserve board shall make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

SEC. 18. That so much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States, and section four of the act of June twentieth, eighteen hundred and seventy-four, and section eight of the act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes, as require that before any national banking association shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds be, and the same is hereby, repealed.

REFUNDING BONDS.

SEC. 19. That upon application the Secretary of the Treasury shall exchange the two per centum bonds of the United States bearing the circulation privilege deposited by any national banking association with the Treasurer of the United States as security for circulating notes for three per centum bonds of the United States without the circulation privilege, payable after twenty years from date of issue, and exempt from Federal, State, and municipal taxation both as to income and principal. No national bank shall, in any one year, present two per centum bonds for exchange in the manner hereinbefore provided to an amount exceeding five per centum of the total amount of bonds on deposit with the Treasurer by said bank for circulation purposes. Should any national bank fail in any one year to so exchange its full quota of two per centum bonds under the terms of this act, the Secretary of the Treasury may permit any other national bank or banks to exchange bonds in excess of the five per centum aforesaid in an amount equal to the deficiency caused by the failure of any one or more banks to make exchange in any one year, allotment to be made to applying banks in proportion to their holdings of bonds. At the expiration of twenty years from the passage of this act every holder of United States two per centum bonds then outstanding shall receive payment at par and accrued interest. After twenty years from the date of the passage of this act national-bank notes still remaining outstanding shall be recalled and redeemed by the national banking associations issuing the same within a period and under regulations to be prescribed by the Federal reserve board, and notes still remaining in circulation at the end of such period shall be secured by an equal amount of lawful money to be deposited in the Treasury of

the United States by the banking associations originally issuing such notes. Meanwhile every national bank may continue to apply for and receive circulating notes from the Comptroller of the Currency based upon the deposit of two per centum bonds or of any other bonds bearing the circulation privilege; but no national bank shall be permitted to issue other circulating notes except such as are secured as in this section provided or to issue or to make use of any substitute for such circulating notes in the form of clearing-house loan certificates, cashier's checks, or other obligation.

BANK RESERVES.

SEC. 20. That from and after the date when the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the fact that a Federal reserve bank has been established in any designated district, every banking association within said district which shall have subscribed for stock in such Federal reserve bank shall be required to establish and maintain reserves as follows:

(a) If a country bank as defined by existing law, it shall hold and maintain a reserve equal to twelve per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for. Five-twelfths of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults; and for a period of fourteen months from the date aforesaid at least three-twelfths and thereafter at least five-twelfths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the twelve per centum reserve hereinbefore required may, for a period of thirty-six months from and after the date fixed by the Secretary of the Treasury, as hereinbefore provided, consist of balances due from national banks in reserve or central reserve cities as now defined by law. From and after a date thirty-six months subsequent to the date fixed by the Secretary of the Treasury, as hereinbefore provided, the said remainder of the twelve per centum reserve required of each country bank shall consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(b) If a reserve city bank as defined by existing law, it shall hold and maintain, for a period of sixty days from the date fixed by the Secretary of the Treasury as hereinbefore provided, a reserve equal to twenty per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter eighteen per centum. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults. After sixty days from the date aforesaid, and for a period of one year, at least three-eighteenths and permanently thereafter at least five-eighteenths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the reserve in this paragraph required may, for a period of thirty-six months from and after the date fixed by the Secretary of the Treasury as hereinbefore provided, consist of balances due from national banks in central reserve cities as now defined by law. From and after a date thirty-six months subsequent to the date fixed by the Secretary of the Treasury as hereinbefore provided, the said remainder of the eighteen per centum reserve required of each reserve city bank shall

consist either in whole or in part of reserve money in the bank's own vaults or of credit balance with the Federal reserve bank of its district.

(c) If a central reserve city bank as defined by existing law, it shall hold and maintain for a period of sixty days from the date fixed by the Secretary of the Treasury as hereinbefore provided a reserve equal to twenty per centum of the aggregate amount of its deposits, not including savings deposits hereinafter provided for, and permanently thereafter eighteen per centum. At least one-half of such reserve shall consist of money which national banks may under existing law count as legal reserve, held actually in the bank's own vaults. After sixty days from the date aforesaid, and thereafter for a period of one year, at least three-eighteenths and permanently thereafter at least five-eighteenths of such reserve shall consist of a credit balance with the Federal reserve bank of its district. The remainder of the eighteen per centum reserve required of each central reserve city bank shall consist either in whole or in part of reserve money actually held in its own vaults or of credit balance with the Federal reserve bank of its district.

SEC. 21. That so much of sections two and three of the act of June twentieth, eighteen hundred and seventy-four, entitled "An act fixing the amount of United States notes, providing for a redistribution of the national bank currency, and for other purposes," as provides that the fund deposited by any national banking association with the Treasurer of the United States for the redemption of its notes shall be counted as a part of its lawful reserve as provided in the act aforesaid, be, and the same is hereby, repealed. And from and after the passage of this act such fund of five per centum shall in no case be counted by any national banking association as a part of its lawful reserve.

SEC. 22. That every Federal reserve bank shall at all times have on hand in its own vaults, in gold or lawful money, a sum equal to not less than thirty-three and one-third per centum of its outstanding demand liabilities.

The Federal reserve board may notify any Federal reserve bank whose lawful reserve shall be below the amount required to be kept on hand to make good such reserve; and if such bank shall fail for thirty days thereafter so to make good its lawful reserve, the Federal reserve board may appoint a receiver to wind up the business of said bank.

BANK EXAMINATIONS.

SEC. 23. That the examination of the affairs of every national banking association authorized by existing law shall take place at least twice in each calendar year and as much oftener as the Federal reserve board shall consider necessary in order to furnish a full and complete knowledge of its condition. The Secretary of the Treasury may, however, at any time direct the holding of a special examination. The person assigned to the making of such examination of the affairs of any national banking association shall have power to call together a quorum of the directors of such association, who shall, under oath, state to such examiner the character and circumstances of such of its loans or discounts as he may designate; and from and after the passage of this act all bank examiners shall receive fixed salaries, the amount whereof shall be determined by the Federal reserve board and annually reported to Congress. But the expense of the

examinations herein provided for shall be assessed by the Federal reserve board upon the associations examined in proportion to assets or resources held by such associations upon a date during the year in which such examinations are held to be established by the Federal reserve board. The Comptroller of the Currency shall so arrange the duties of national-bank examiners that no two successive examinations of any association shall be made by the same examiner.

In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal reserve bank may, with the approval of the Federal reserve board, arrange for special or periodical examination of the member banks within its district. Such examination shall be so conducted as to inform the Federal reserve bank under whose auspices it is carried on of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal reserve bank shall at all times furnish to the Federal reserve board such information as may be demanded by the latter concerning the condition of any national banking association located within the district of the said Federal reserve bank.

The Federal reserve board shall as often as it deems best, and in any case not less frequently than four times each year, order an examination of national banking associations in reserve cities. Such examinations shall show in detail the total amount of loans made by each bank on demand, on time, and the different classes of collateral held to protect the various loans, and the lines of credit which are being extended by them. The Federal reserve board shall, at least once each year, order an examination of each Federal reserve bank, and upon joint application of ten member banks the Federal reserve board shall order a special examination and report of the condition of any Federal reserve bank.

SEC. 24. That no national bank shall hereafter make any loan or grant any gratuity to any examiner of such bank. Any bank offending against this provision shall be deemed guilty of a misdemeanor and shall be fined not more than $5,000 and a further sum equal to the money so loaned or gratuity given; and the officer or officers of a bank making such loan or granting such gratuity shall be likewise deemed guilty of a misdemeanor and shall be fined not to exceed $5,000. Any examiner accepting a loan or gratuity from any bank examined by him shall be deemed guilty of a misdemeanor and shall be fined not more than $5,000 and a further sum equal to the money so loaned or gratuity given, and shall forever thereafter be disqualified from holding office as a national-bank examiner. No national-bank examiner shall perform any other service for compensation while holding such office.

No officer or director of a national bank shall receive or be beneficiary, either directly or indirectly, of any fee (other than a legitimate fee paid an attorney at law for legal services), commission, gift, or other consideration for or on account of any loan, purchase, sale, payment, exchange, or transaction with respect to stocks, bonds, or other investment securities or notes, bills of exchange, acceptances, bankers' bills, cable transfers, or mortgages made by or on behalf of a national bank of which he is such officer or director. Any person violating any provision of this section shall be punished by a fine of not exceeding $5,000 or by imprisonment not exceeding five years, or both such fine and imprisonment, in the discretion of the court having jurisdiction.

Except so far as already provided in existing laws, this provision shall not take effect until six months after the passage of this act.

SEC. 25. That from and after the passage of this act the stockholders of every national banking association shall be held individually responsible for all contracts, debts, and engagements of such association, each to the amount of his stock therein, at the par value thereof in addition to the amount invested in such stock. The stockholders in any national banking association who shall have transferred their shares or registered the transfer thereof within sixty days next before the date of the failure of such association to meet its obligations shall be liable to the same extent as if they had made no such transfer; but this provision shall not be construed to affect in any way any recourse which such shareholders might otherwise have against those in whose names such shares are registered at the time of such failure. Section fifty-one hundred and fifty-one, Revised Statutes of the United States, is hereby reenacted except in so far as modified by this section.

LOANS ON FARM LANDS.

SEC. 26. That any national banking association not situated in a reserve city or central reserve city may make loans secured by improved and unencumbered farm land, and so much of section fifty-one hundred and thirty-seven of the Revised Statutes as prohibits the making of such loans by banks so situated shall be, and the same is hereby, repealed; but no such loan shall be made for a longer time than twelve months, nor for an amount exceeding fifty per centum of the actual value of the property offered as security, and such property shall be situated within the Federal reserve district in which the bank is located. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus.

The Federal reserve board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section.

SAVINGS DEPARTMENT.

SEC. 27. That any national banking association may, subsequent to a date one year after the organization of the Federal reserve board, make application to the Comptroller of the Currency for permission to open a savings department. Such application shall set forth that the directors of said national bank have by a majority vote apportioned a specified percentage of their paid-in capital and surplus to said savings department, and to that end have segregated specified assets for the purposes of said department, or that cash capital for the said savings department has been obtained by subscription to additional issues of the capital stock of said national bank: *Provided*, That the sum in assets or in cash thus set apart for the uses of the proposed savings department aforesaid shall in no case be less than $25,000, or than a sum equal to twenty per centum of the paid-up capital and surplus of the said national bank.

In making the application aforesaid any national banking association may further apply for power to act as trustee for mortgage loans, subject to the conditions and limitations herein prescribed or to be established as hereinafter provided.

Whenever the Comptroller of the Currency shall have approved any such application as hereinbefore provided, he shall so inform the applying bank, and thereafter the organization and business conducted or possessed by said bank at the time of making said application, except such as has been specifically segregated for the savings department, and subsequent expansions thereof shall be known as the commercial department of the said bank. National banks may increase or diminish their capital stock in the manner now provided by law, but whenever such general increase or reduction of the capital stock of any national bank operating upon the provisions of this section shall be made such increase or reduction shall be apportioned between the commercial and savings departments of the said bank as its board of directors shall prescribe, notice of such increase or reduction, and of the apportionment thereof, being forthwith given to the Comptroller of the Currency; and any such national bank may increase or diminish the capital already apportioned to either its savings or commercial department to an extent not inconsistent with the provisions of this section, notifying the Comptroller of the Currency as hereinbefore provided. The savings department for which authority has been solicited and granted shall have control of the cash or assets apportioned to it as hereinbefore provided, and shall be organized under the rules and regulations to be prescribed by the Comptroller of the Currency.

Both the savings and commercial departments so created shall, however, be under the control and direction of a single board of directors and of the general officers of said bank.

All business transacted by the commercial department of any such national bank shall be in every respect subject to the limitations and requirements provided in the national banking act as modified by this act, and such business shall henceforward be known as commercial business.

The savings department of each such national bank shall be authorized to accumulate and loan the funds of its depositors, to receive deposits of current funds, to loan any funds in its possession upon personal or real estate security, and to collect the same with interest, and to declare and pay dividends or interest both upon demand and time deposits. The Federal reserve board is hereby authorized to exempt the savings departments of national banking associations from any and every restriction upon classes or kinds of business laid down in the national banking act, and it shall be the duty of the said board within one year after its organization to prepare and publish rules and regulations for the conduct of business by such savings departments. The said regulations shall require every national bank which shall conduct a savings department and a commercial department to segregate in its own vaults the cash and assets belonging to such departments respectively and shall prescribe the general forms of separate books of account to be used by each such department for its exclusive and individual use. The regulations aforesaid shall further specify the period of notice for the withdrawal of deposits made in the said savings department and shall forbid the acceptance of deposits by one department of such national bank from the other department of such bank. The Federal reserve board shall make and publish at its discretion lists of securities, paper, bonds, and other forms of investment, which the savings departments of national banks

shall be authorized to buy; and said lists need not be uniform throughout the United States, but shall be adapted to the conditions of business in different sections of the country.

It shall be the duty of every national bank to maintain, with respect to all deposit liabilities of its savings department, a reserve in money which may under existing law be counted as reserve, equal to not less than five per centum of its total deposit liabilities, and every national bank authorized to maintain a savings department is hereby exempted from the reserve requirements of the national banking act and of this act in respect to the said deposit liabilities of its savings department, except as in this section provided. Every regulation made in pursuance of this section shall be duly published, and also posted in every member bank having a savings department.

Every officer, director, or employee of any national bank who shall knowingly or willfully violate any of the provisions of this section, or any of the regulations of the Federal reserve board, or of the Comptroller of the Currency, made under and by virtue of the provisions of this section shall be guilty of a felony, and on conviction thereof shall be punished by a fine not exceeding $5,000 or by imprisonment not exceeding two years.

FOREIGN BRANCHES.

SEC. 28. That any national banking association possessing a capital of $1,000,000 or more may file application with the Federal reserve board, upon such conditions and under such circumstances as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries for the furtherance of the foreign commerce of the United States and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the foreign country or countries or the dependencies of the United States where the banking operations proposed are to be carried on and the amount of capital set aside by the said banking association filing such application for the conduct of its foreign business at the branches proposed by it to be established in foreign countries. The Federal reserve board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is inadequate or if for other reasons the granting of such application is deemed inexpedient.

Every national banking association which shall receive authority to establish branches in foreign countries shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal reserve board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each such branch as a separate item.

SEC. 29. That all provisions of law inconsistent with or superseded by any of the provisions of this act be, and the same are hereby, repealed.

SEC. 30. That the right to amend, alter, or repeal this act is hereby expressly reserved.

Appendix D.

Reserve required under H. R. 7837, based on deposits reported June 4, 1913.

Cities, States, and Territories.	Net deposits subject to reserve requirements.	Cash requirement under H. R. 7837.	Balance in reserve banks under H. R. 7837.	Optional under H. R. 7837 (per cent cash or balances).
New York City	$1,093,896,154.20	$98,450,654.00	$54,694,807.00	$43,755,845.00
Chicago	363,020,439.98	32,671,840.00	18,151,022.00	14,520,819.00
St. Louis	111,170,462.55	10,005,341.00	5,558,523.00	4,446,818.00
Central reserve cities	1,568,087,056.73	141,127,835.00	78,404,352.00	62,723,482.00
Boston	235,937,447.19	21,234,370.00	11,796,872.00	9,437,497.00
Albany	39,297,953.26	3,536,816.00	1,964,897.00	1,571,918.00
Brooklyn	23,836,325.80	2,145,270.00	1,191,816.00	953,453.00
Philadelphia	279,772,336.64	25,179,512.00	13,988,617.00	11,190,894.00
Pittsburgh	196,116,426.28	17,650,439.00	9,805,821.00	7,844,657.00
Baltimore	62,246,492.72	5,602,184.00	3,112,324.00	2,489,859.00
Washington	28,568,018.15	2,571,123.00	1,428,401.00	1,142,722.00
Savannah	1,857,723.80	167,195.00	92,886.00	74,309.00
New Orleans	25,217,548.95	2,269,581.00	1,260,878.00	1,008,703.00
Dallas	21,629,510.24	1,946,658.00	1,081,476.00	865,181.00
Fort Worth	14,981,247.51	1,348,314.00	749,062.00	599,249.00
Galveston	4,760,174.05	428,415.00	238,008.00	190,406.00
Houston	29,642,962.90	2,667,868.00	1,482,148.00	1,185,719.00
San Antonio	11,052,476.24	994,724.00	552,624.00	442,099.00
Waco	5,788,341.06	520,952.00	289,417.00	231,534.00
Louisville	29,537,728.00	2,658,396.00	1,476,887.00	1,181,510.00
Cincinnati	60,188,629.74	5,416,977.00	3,009,431.00	2,407,545.00
Cleveland	68,629,965.00	6,176,698.00	3,431,498.00	2,745,199.00
Columbus	23,639,013.72	2,127,512.00	1,181,950.00	945,560.00
Indianapolis	31,915,589.99	2,872,404.00	1,595,779.00	1,276,623.00
Detroit	46,914,596.64	4,222,313.00	2,345,729.00	1,876,583.00
Milwaukee	51,591,648.49	4,643,249.00	2,579,582.00	2,063,666.00
Minneapolis	61,364,504.08	5,522,805.00	3,068,225.00	2,454,580.00
St. Paul	40,873,142.66	3,678,584.00	2,043,657.00	1,634,927.00
Cedar Rapids	10,293,775.07	926,442.00	514,688.00	411,750.00
Des Moines	16,043,138.16	1,443,884.00	802,157.00	641,726.00
Dubuque	3,618,675.53	325,683.00	180,934.00	144,748.00
Sioux City	12,997,107.50	1,169,740.00	649,856.00	519,885.00
Kansas City, Mo	81,566,939.40	7,341 026.00	4,078,347.00	3,262,678.00
St. Joseph	13,335,196.44	1,200,169.00	666,759.00	533,407.00
Lincoln	6,656,099.11	599,048.00	332,804.00	266,243.00
Omaha	39 128 378.20	3,521,555.00	1,956,419.00	1,565,135.00
South Omaha	9,189,605.77	827,065.00	459 480.00	367,584.00
Kansas City, Kans	4,932,871.80	443,959.00	246,643.00	197,315.00
Topeka	3,389,138.20	305,024.00	169,457.00	135,566.00
Wichita	6,692,169.82	602,295.00	334,608.00	267,686.00
Denver	42,731,063.75	3,845,797.00	2,136,553.00	1,709,242.00
Pueblo	8,355,239.10	751,973.00	417,762.00	334,210.00
Muskogee	4,844,442.25	436,000.00	242,222.00	193,778.00
Oklahoma City	7,883,172.09	709,486.00	394,158.00	315,326.00
Seattle	35,198,357.96	3,167,854.00	1,759,918.00	1,407,934.00
Spokane	18,885,980.26	1,699,739.00	944,299.00	755,440.00
Tacoma	7,854,204.57	706,878.00	392,710.00	314,168.00
Portland	29,906,806.26	2,691,614.00	1,495,340.00	1,196,272.00
Los Angeles	54,679,499.16	4,921,156.00	2,733,975.00	2,187,180.00
San Francisco	119,056,019.87	10,715,044.00	5,952,891.00	4,762,242.00
Salt Lake City	13,276,773.65	1,194 912.00	663,838.00	531,071.00
Other reserve cities	1,945,874,457.03	175,128,702.00	97,293,723.00	77,834,979.00
All reserve cities	3,513,961,513.76	316,256,536.00	175,698,075.00	140,558,460.00
Maine	46,898,653.28	2,344,932.00	2,344,932.00	937,972.00
New Hampshire	22,268,769.99	1,113 438.00	1,113,438.00	445,377.00
Vermont	19,218,246.04	960,913.00	960,913.00	384,364.00
Massachusetts	140,721,736.97	7,036,087.00	7,036,087.00	2,814,435.00
Rhode Island	29,917,010.63	1,495,851.00	1,495,851.00	598,340.00
Connecticut	69,821,700.52	3,491,085.00	3,491,085.00	1,396,434.00
New England States	328,846,117.43	16,442,306.00	16,442,306.00	6,576,922.00

Reserve required under H. R. 7837, based on deposits reported June 4, 1913—Contd.

Cities, States, and Territories.	Net deposits subject to reserve requirements.	Cash requirement under H. R. 7837.	Balance in reserve banks under H. R. 7837.	Optional under H. R. 7837 (per cent cash or balances).
New York	$370,193,609.43	$18,509,681 00	$18,509,681.00	$7,403,872.00
New Jersey	202,574,593.74	10,128,729.00	10,128,729.00	4,051,492.00
Pennsylvania	475,471,735.41	23,773,587.00	23,773,587.00	9,509,434.00
Delaware	8,513,102.98	425,655.00	425,655.00	170,262.00
Maryland	40,554,108.05	2,027,705.00	2,027,705.00	811,082.00
District of Columbia	1,031,403.06	51,570.00	51,570.00	20,628.00
Eastern States	1,098,338,552.67	54,916,927.00	54,916,927.00	21,966,770.00
Virginia	93,719,750.42	4,685,987.00	4,685,987.00	1,874,395.00
West Virginia	56,160,448.92	2,808,023.00	2,808,023.00	1,123,209.00
North Carolina	32,965,737.40	1,648,288.00	1,648,288.00	659,314.00
South Carolina	20,201,398.31	1,010,069.00	1,010,069.00	404,027.00
Georgia	42,547,683.67	2,127,385.00	2,127,385.00	850,954.00
Florida	36,918,647.97	1,845,932.00	1,845,932.00	738,373.00
Alabama	37,229,745.07	1,861,487.00	1,861,487.00	744,594.00
Mississippi	13,887,110.55	694,356.00	694,356.00	277,743.00
Louisiana	16,644,169.34	832,208.00	832,208.00	332,884.00
Texas	120,776,560.33	6,038,825.00	6,038,825.00	2,415,531.00
Arkansas	19,072,404.12	953,621.00	953,621.00	381,449.00
Kentucky	43,465,014.17	2,173,250.00	2,173,250.00	869,301.00
Tennessee	64,719,553.41	3,235,977.00	3,235,977.00	1,294,390.00
Southern States	598,308,163.68	29,915,408.00	29,915,408.00	11,966,164.00
Ohio	211,714,557.24	10,585,728.00	10,585,728.00	4,234,292.00
Indiana	127,799,890.35	6,389,995.00	6,389,995.00	2,555,998.00
Illinois	217,140,603.31	10,857,030.00	10,857,030.00	4,342,812.00
Michigan	92,318,092.81	4,615,905.00	4,615,905.00	1,846,362.00
Wisconsin	95,050,605.39	4,752,530.00	4,752,530.00	1,901,011.00
Minnesota	109,033,507.97	5,451,675.00	5,451,675.00	2,180,670.00
Iowa	123,092,911.33	6,154,645.00	6,154,645.00	2,461,857.00
Missouri	32,575,300.80	1,628,765.00	1,628,765.00	651,506.00
Middle States	1,008,725,469.20	50,436,273.00	50,436,273.00	20,174,508.00
North Dakota	34,156,079.53	1,707,804.00	1,707,804.00	683,122.00
South Dakota	32,524,541.88	1,626,227.00	1,626,227.00	650,490.00
Nebraska	57,484,779.56	2,874,239.00	2,874,239.00	1,149,695.00
Kansas	62,990,129.91	3,149,507.00	3,149,507.00	1,259,803.00
Montana	34,569,197.15	1,728,459.00	1,728,459.00	691,383.00
Wyoming	13,135,898.01	656,795.00	656,795.00	262,717.00
Colorado	38,730,570.50	1,936,528.00	1,936,528.00	774,613.00
New Mexico	15,082,617.80	754,132.00	754,132.00	301,652.00
Oklahoma	55,268,368.49	2,763,418.00	2,763,418.00	1,105,369.00
Western States	343,942,182.83	17,197,109.00	17,197,109.00	6,878,844.00
Washington	30,235,417.25	1,511,771.00	1,511,771.00	604,708.00
Oregon	29,327,686.13	1,466,384.00	1,466,384.00	586,554.00
California	127,304,756.39	6,365,238.00	6,365,238.00	2,546,096.00
Idaho	18,842,253.16	942,113.00	942,113.00	376,846.00
Utah	7,899,595.98	394,979.00	394,979.00	157,990.00
Nevada	6,587,718.61	329,386.00	329,386.00	131,754.00
Arizona	9,520,662.66	476,033.00	476,033.00	190,414.00
Alaska	852,680.20	42,634.00	42,634.00	17,054.00
Pacific States	230,570,770.38	11,528,538.00	11,528,538.00	4,611,416.00
Island possessions (Hawaii)	1,941,602.46	97,080.00	97,080.00	38,832.00
Total States	3,610,672.858.00	180,533,642.00	180,533,642.00	72,213,457.00
Total United States	7,124,634,372.00	496,790,179.00	356,231,717.00	212,771,917.00

VIEWS OF THE MINORITY.

The undersigned regret that when the Committee on Banking and Currency met finally to consider H. R. 7837 they found the majority members of the committee so bound by their caucus action that they could not consider amendments to the bill which, if adopted, would have eliminated its unsound and questionable provisions.

Such changes, while comparatively few in number, in our opinion are fundamental and vital. The majority members of the committee refused to favorably consider them on the ground that they involved matters of Democratic party policy settled by the caucus.

COMPULSORY PURCHASE OF STOCK.

One objection to the proposed law goes to the provision which compels national banks to subscribe for the capital stock of the Federal reserve banks on pain of forfeiture of their charters. We believe this forfeiture provision is of doubtful constitutionality and wholly unnecessary and inexpedient. If the plan proposed by the bill proves to be a good one, the mercantile, manufacturing, and agricultural interests of the country, which control the banks, can be depended upon to appreciate its advantages, and the banks will naturally and voluntarily join in trying to make it a success. At least time enough should be allowed for a gradual and natural development to fully demonstrate that the new system is a success before force should be applied, by way of quasi penal or forfeiture provisions, to compel reluctant banks to come into it.

If, on the other hand, the plan proposed by the bill should prove to be too cumbersome or not workable, the tying up of so vast a quantity of the reserves as the bill proposes to compel would cause the borrowing public great hardship, and the vast business interests of the country would be imperiled. Should the national banks of the country, or a large majority of them, elect to forfeit their present charters rather than come into the new system, our currency supply would be greatly curtailed, all business would be disastrously affected, and our national banking system would be destroyed.

FEDERAL RESERVE NOTES.

Another fundamental objection is to the provision (p. 28, line 19) that the notes to be issued to or through the Federal reserve banks "shall be obligations of the United States." Section 17, in which this provision is found, practically creates a Government central bank or board of issue, which may issue notes on application without limit at its discretion for the sole accommodation of the banks and

not to meet the necessities of the Government. In times of serious crises the Government obligation to pay these notes might, and probably would, lead to very serious complications involving the credit of the Government, as the history of all such experiments amply proves.

FEDERAL RESERVE BOARD.

The powers of the Federal reserve board are, in our judgment, too great. This board should be given supervision, but not actual management of the banking business of the country. We also believe that while an effort has been made to make the board somewhat nonpartisan, there is still great danger as the bill is now drawn that the banking business of the country may be used for partisan political advantage. Every possible provision should be incorporated to prevent a result which every right thinking man would greatly deplore. Those who will most suffer from political management of this board will be the small merchant and the borrowing public. There is also a clear impropriety in allowing the Comptroller of the Currency, who is charged with the supervision and administration of the whole national banking system, to serve on this board.

There are other imperfections in the bill which will be pointed out during its consideration on the floor of the House.

E. A. HAYES.
FRANK E. GUERNSEY.
JAMES F. BURKE.
FRANK P. WOODS.
EDMUND PLATT.

Mr. LINDBERGH submitted the following

MINORITY VIEWS.

THE GLASS BILL, H. R. 7837.

The Glass bill, as drafted, is merely a new form for the administration of a false old system. It leaves the worst of all features in the present financial scheme unchanged; that is, the burden of excessive interest. It provides upon its face for a financial stringency and possible panic in its inception as a result of the forced shifting of cash and resultant transfer, and therefore a disturbance of credit. After the shift would be made and the adjustment was finally completed, with the exception of a provision for the issue of asset currency, it would be an improvement over the present method of finances. The disadvantage that would arise by shifting of cash balances and early disturbance of credits may be remedied by simple amendments.

The most disappointing thing about the bill is that it provides no relief from existing economic evils. That relief is due to begin with an improved money system. The Glass bill proposes to incorporate, canonize, and sanctify a private monopoly of the money and credit of the Nation—to remove all the people's money from the United States Treasury and place it in the vaults of the banks to be used by them for private gain. It violates every principle of popular, democratic, representative Government and every declaration of the Democratic Party and platform pledges from Thomas Jefferson down to the beginning of this Congress.

Those of the committee who favor the bill have worked diligently with earnestness and ability to modify the details in dealing with finances, but have done nothing to correct the grossly false basis on which finance is now operated; that is, the fact that financing in the present way is a burden instead of an assistance to trade and commerce. Severe as my criticism of the bill may seem, still I believe that with some few amendments the system that the Glass bill would put into operation would be less severe on the people than our present system. I do not object to it because of unfavorable comparison with that now practiced, but base my objections on the ground that now, while we are at it, we should instead pass a good bill.

In submitting a minority report I have two purposes in view: (*a*) To offer suggestions for amendments in the Glass bill that would make it simple, more responsive, and less expensive to operate; (*b*) to offer a new bill to form the basis for an American financial policy to place public and private enterprise, industry, and exchanges upon a sound economic basis and destroy the power of private operators to monopolize the mediums of exchange.

Those who are responsible for the draft of the Glass bill undoubtedly hope through its enactment to remove from finance the frequent

stringencies and occasional panics that develop. The plan they offer, once it became operative and adjusted to, would probably remove some of the danger elements that in the past have driven the country into frequent money stringencies and occasional panics; but as an effective remedy it is inadequate. The very basis of the system that is sought to be patched is false.

The Glass bill would make a change in the administration of the present system, but no change in the money basis. The design of the bill is to lessen the immoderate and violent fluctuations that result from the present method of financing. For that reason a Member who does not consider the bill satisfactory may vote for it nevertheless. We should first do all we can to secure the enactment of a good bill. This is not a good bill, but with a few amendments it may be better than no bill.

Business is now operated under a highly technical credit system based on a small amount of lawful money. Twenty-five and possibly more dollars of credit exchanges, on the average, for each dollar of actual cash paid, but credit as a rule is directly related to the location of actual money. It is through the banks that most of the credit extensions occur. The cash is in reserve for the final balances. Comparatively little of the cash in the banks moves at all. It lies in the vaults year after year without going out on any mission of business.

This bill proposes to shift a very considerable part of the bank cash. It would require several months at the very least to adjust credits to the shift. The volume of credit would be disturbed to a very much greater extent than the shift of cash. Business would be disturbed by the change unless provision were made to keep credit from being interfered with.

The general public gets no direct connection with the Glass bill for purposes of securing either credit or cash. The public will still be forced to go to the banks. Therefore if the bill is to become operative, the banks will have to come under it. The national banks would only be compelled to do so, but if they alone do, it will hardly be satisfactory, because they do only about one-third of the banking business.

SOME ACTUAL CONDITIONS TO BE MET.

On April 4, 1913, the deposits held by national banks required them to hold a reserve of $891,794,905. They were $15,691,784 short—below the reserve requirements. If they had been compelled to subscribe for Federal reserve bank stock under those conditions, what would have happened? Their capital stock was approximately $1,050,000,000, which would have required them to pay $105,000,000 for stock within 60 days. This sum would be transferred to an entirely new field of financial development. In addition to that, under the law they would have been required to make good the $15,691,784 shortage in reserve within 30 days; an old provision which is carried into this bill. The State banks were practically in the same condition, and if they, too, came in, as the bill contemplates, the demand for ready money would have exceeded $200,000,000 for Federal reserve bank stock alone, and a much greater shift of deposits would be required. All things considered, it is not improbable that a shift of near half a billion dollars would have to be made.

A MONEY STRINGENCY AND POSSIBLE PANIC.

The contraction which would come about in making such a change—that is, in the shifting of cash from its old moorings and the still greater credit disturbance—would result seriously and bring about a great loss to the people. A statement of some actual facts will illustrate sufficiently. In a general way the results would be the same from an analysis of any bank report made in the last 10 years, but to be specific I take the banks' reports to the Comptroller of the Currency September 4, 1912. I call attention merely to a single bank in each of the States having a representative on the Banking and Currency Committee. I show the capital stock, the amount it would have to pay under this bill, and the actual lawful money contained in its vaults, as follows:

	Capital.	Assessment.	Money in bank.
Barnesville National Bank, Minnesota	$25,000	$2,500	$2,514
Peoples' National Bank, Virginia	50,000	5,000	3,931
Whitland National Bank, Indiana	25,000	2,500	1,287
People's National Bank, Rollesburg, W. Va	25,000	2,500	1,536
First National Bank, Hudson, Ohio	50,000	5,000	3,657
First National Bank, Almena, Kans	50,000	5,000	2,856
Irving National Bank, Irving Park, Ill	100,000	10,000	7,798
Athol National Bank, Athol, Mass	100,000	10,000	6,582
Commanche National Bank, Commanche, Tex	100,000	10,000	6,637
First National Bank, Perry, Ark	25,000	2,500	1,688
First National Bank, Wellington, Colo	25,000	2,500	1,203
Heard National Bank, Jacksonville, Fla	1,000,000	100,000	80,826
First National Bank, Alex, Okla	25,000	2,500	1,503
Gaffney National Bank, South Carolina	150,000	15,000	9,725
First National Bank, Vacaville, Cal	50,000	5,000	3,501
Union National Bank, Brunswick, Me	50,000	5,000	4,288
Grange National Bank, Chester, Pa	100,000	10,000	9,112
Farmers & Mechanics' National Bank, Jefferson, Iowa	40,000	4,000	1,877
First National Bank, Baldwinsville, N. Y	100,000	10,000	8,225

These responsible banks, on the date named, did not have sufficient lawful money in their vaults to meet the requirements of the Glass bill. Many of the banks have more cash than is necessary, but the banks listed above are not isolated cases. Substantially the same condition exists in all the States. Hundreds and hundreds of banks would be required to pay out, within 60 days after the organization commenced, all the cash in their vaults, and many more of them would have barely enough. In the aggregate they would not have enough.

Instancing this condition, in South Carolina there were 46 national banks on September 4, 1912. On that date 6 of them did not have enough lawful money in their vaults to pay for the stock they would be compelled to take. What would happen under such conditions? These banks would, of course, draw on their reserve banks for the money due from them. Simultaneously the reserve banks would be called on to return to the other banks their reserves and pay for Federal reserve bank stock.

Let us take the National City Bank of New York as an example. It is a central reserve bank, required by law to keep 25 per cent lawful money reserve. On September 4, 1912, its deposits were $239,669,430. It required a legal reserve of $59,917,357, but it had only $48,364,892 lawful money in its vaults. It was owing to other

banks, included in the $239,669,430, approximately $100,000,000. These banks, under the operation of the bill, would be compelled to draw on the National City Bank for money to pay subscriptions for Federal reserve bank stock, and also to cover in these banks within 60 days a 3 per cent reserve. The country banks do not, as a rule, carry more reserve cash in their vaults than the law requires and could not draw directly from their vaults. In addition to that, the National City Bank would be required to pay $2,500,000 for capital stock. The statement of September 4 shows that the National City Bank had not sufficient lawful money to meet any such demand. It may be suggested that it had $38,296,647 checks and exchanges outstanding; but, admitting that, and that these come in rapidly, as many more are put out in the regular course of business. The commerce of the country demands transmission through the mails, express, and in clearance agencies enormous sums. Under the terms of the bill this one bank would probably be compelled to transfer more than $100,000,000. I do not plead for that bank. Its stockholders have fleeced the people of this country, but what applies to the demands that are to be made on that bank applies to the demands that would be made on banks generally in the proportion of their business. A scramble would take place among the banks to get in shape to meet their obligations. Naturally they would demand payment of the borrowers. A stringency would result, and possibly a panic. In such an emergency the borrowing people would suffer, because they are absolutely tied to the banks, and the Glass bill would make no change in that respect. If everybody would remain perfectly calm and make no demand for impossible things, the shift could be made under the stress without an actual panic.

COMPENSATING PROVISIONS TO THE BANKS.

There are some compensating provisions in the Glass bill that would aid the banks in changing from the present system to the proposed system, provided that no excitement would arise until they were made effective. The Federal reserve board may suspend for 30 days, and renew the suspension for periods of 15 days, any and every reserve requirement contained in the bill. Aid would also be given to the banks by a deposit of all the funds in the Government Treasury. Still further aid might be provided by a loan of United States currency. But the organization would have to be complete before that could be loaned. Much loss might occur in the meantime.

It is claimed by this bill to give considerable control and management of the banks to the Government, but it reserves no power in the Government to aid those who need money to do business with. Those who actually use the money to carry on business are compelled to go to those who use money simply for the purpose of charging a profit out of handling it. That is, the banks and money loaners make a profit out of those who use money. The latter have no other purpose whatever. This bill makes the bankers the "go-between" between the Government and those who use money only as a means to deal in the material and social exchanges that are essential to civilization, the only true purpose of money. This bill provides for

the continuation of an actual extortion fostered by the Government against the freedom of business intercourse among the people. It recognizes the superior sovereignty of the embodied institutions of money over any power of government, so that neither the Government in its sovereign capacity nor the people, or their representatives, can initiate the placement of one dollar of monetary function into actual exchanges among the people, except through the agency of organized money loaners with purely selfish interests. The Glass bill positively abolishes the United States Treasury and the public money of the people, and substitutes the so-called Federal reserve banks, which by the terms of the bill are to be the exclusive stock of the bankers. It reduces the people's Treasury Department and the Bureau of Printing and Engraving to the position of a job printing house for the private use of the bankers.

It is an advantage to the banks to have the Government print and engrave the money, so long as the banks may have a monopoly of its distribution. This bill continues and affirmatively gives them that monopoly. They have held it for a long time in the past, and now Congress is about to bow its subserviency in more positive express terms of a statute than heretofore. Ask, Where will the people go to borrow money after this bill goes into effect? Congress has been slipped into the halter by the money lenders, and they seem to have supplied themselves with a double hold—a chain in addition to the strap.

Those who wish to use money for the purpose of its service to a freedom of trade by the people among themselves find no Government-supported source of supply except the exclusive monopoly granted to the banks. These banks have the means and do compel the people to pay for the use of money a rate of interest that forces the majority of mankind into needy circumstances, and deprives all but a few of a proper compensation for their lives' efforts. No one should assume because of all this, and because the bankers get the lion's share of profits, that bankers are disposed to be vicious. We should change the system and not blame the bankers. In the process of changing the system the people should address themselves first to a subservient Congress.

The Glass bill, being distinctively a banker's bill, and all who are not bankers being compelled to go to the banks for accommodations, we should at least make it easy for the banker to help borrowers whenever he is willing. If this bill is passed without some minor amendments, to make the transfer from the old to the new system easy, the bankers will be compelled to retrench until they can adjust to this new system. They will not only be compelled to withhold further credit during that period, but many borrowers will be called on to pay notes while the adjustment is going on. For that reason, if the general plan of the bill is to be adopted, some amendments can and should be made to obviate the tendency to create a stringency. The banks will not wait for help, but will help themselves by calling on borrowers to pay. It evidently is the opinion of those who favor the bill that the Federal Reserve Board will waive the affirmative requirements to enable bankers to shift from the old to the new system without disturbance. Admitting that the board would do so is not sufficient to the business world. Bankers are cautious

business men and will resolve all doubts in favor of safety and therefore call in loans until they are prepared to meet the most difficult provisions of the bill. The bill should be made right to start with so far as human foresight can make it and still have the saving clauses to meet any oversight.

FEDERAL RESERVE BANK STOCK ASSESSMENT.

Instead of making a call for 5 per cent instanter and 5 per cent within 60 days, it should be made in several smaller calls distributed over a period of a year. There is, however, no need of so much centralized capital as would occur in these banks. The security of the depositors in a bank depends on the good management more than on the amount of its capital stock. The funds in the control of a good management in a bank are usually several times greater than its capital. A 5 per cent assessment on the capital and surplus for the establishment of the Federal reserve banks would serve the country better than a larger assessment upon the capital alone. I believe that 3 per cent on the combined capital and surplus would be still better, because that would leave more money for use in the proximity of its origin, where it belongs.

ASSESS COMBINED CAPITAL AND SURPLUS.

Assessments should be made both on the capital and surplus. The surplus of a bank is as much a part of its capital as the capital itself is. It would be an injustice to the smaller banks unless the assessment is made on both capital and surplus. The 37 national banks in New York City, for example, had September 4, 1912, a capital of $120,200,000 and a surplus of $128,255,000, while taking, for instance, the first 37 banks listed in Minnesota, which is a fair average for country banks generally, their aggregate capital on the same date was $1,425,000 and their surplus $458,615. Now, if this new system is to be a protection to the banks or if it is to be a burden to them, in either case, let them pay for the one or the other in a proper proportion. The bill should be amended to have the assessment made on the capital and surplus both.

BANK RESERVES.

The reserve requirements should be reduced immediately to 20 per cent for all reserve banks. That would help the banks to meet the demands of the country banks for a return of their funds. As the bill is, the reserve banks would simultaneously be compelled to press collections—first, in order to meet the demands from the country banks for their reserves; second, to subscribe for stock in Federal reserve banks; and, third, to transfer a part of their own reserves to the latter. The period of adjustment should be more graduated and the reserve requirements reduced. Since the banks have absolute control of the distribution of money to borrowers, they should not be prevented from loaning at times and in places when and where the money is needed. The formative period of adjustment to the requirements of this bill would prevent that unless amendments are made.

CAPITAL CAN NOT BE SIMULTANEOUSLY PROVIDED FOR 12 FEDERAL RESERVE BANKS, WHICH MIGHT RESULT IN THERE BECOMING ONE CENTRAL BANK.

On page 3 the Glass bill provides for not less than 12 Federal reserve banks with capital equal to 20 per cent of the capital stock of the banks subscribing, and for one-fourth to be paid in cash, and also that no Federal reserve bank shall begin business until $5,000,000 has been paid in. Since the Federal reserve banks would be started by the national banks alone, as they alone would be forced to join, they, with an aggregate capital stock of less than $1,100,000,000, even if they should all join, could not start 12 Federal reserve banks on a 5 per cent assessment with each a paid-in capital of $5,000,000, as the bill requires. Furthermore, it would be impossible to equalize to approximately equal the capital in all districts. It is necessary, therefore, to amend on page 3. The bill would serve the country better by making the stock of the Federal reserve banks equal to 3 per cent of the unimpaired combined capital stock and surplus of the subscribing banks and permit them to begin business when $1,000,000 is paid in. Under the provisions of the bill the Federal reserve board may name the 12 Federal reserve districts. and the cities for their banks. The city of New York should and of course would be named as one of the 12. Chicago would be another. The influence of the moneyed interests could easily prevent all of the districts except New York City from completing the organization unless the provision forcing banks to become members is held constitutional, which is somewhat questionable. The larger banks would have to join in order to have capital enough for 12 reserve banks. The larger banks are controlled by stockholders who support the Wall Street system. Anyone who has investigated the influence of that system knows that its influence in a case of this kind would be all powerful. The New York district under that condition might complete its organization and the rest drop out by default. Then there would be one central bank controlled by Wall Street stockholders. The Federal reserve board would have some influence, but not sufficient to help the general public out of the difficulty that would arise from such a condition. It is not within the power of the Federal reserve board to complete a single organization if the banks do not affirmatively act.

INCREASE AND DECREASE OF CAPITAL STOCK.

Sections 5 and 6 provide that when banks reduce their capital, or dissolve, or become insolvent, the Federal reserve bank shall pay therefor a sum equal to their cash paid subscriptions on shares surrendered. In times of panic or financial stress this provision would weaken the Federal reserve banks. The banks holding the stock could dissolve, reduce their capital stock, or go into insolvency, thus not only avoiding the whole or a part of the responsibility to carry the Federal reserve banks through financial storms, but actually thereby reenforce their individual holdings by reducing those of the Federal reserve banks. This should be so amended that payment for shares surrendered would be made at such time as the Federal reserve

board from time to time provides. No solvent bank should be permitted to surrender its stock at a period when in the opinion of the Federal reserve board the general public interests, on account of financial stringency, require the Federal reserve banks to have all their resources available to meet the more general demand.

SMALL BANKS SHOULD BE ADMITTED.

The second paragraph of section 10 should be amended so as to provide that no bank should be excluded from becoming a member bank of a Federal reserve bank because of the amount of its capital stock, so long as its capital stock and surplus remained unimpaired, if in every other respect such bank was qualified. The welfare of the whole people requires the thrift of every community. The small communities are as essential as the large ones, and their banks should receive the same treatment as those of the larger cities.

FOREIGN AGENCIES.

The last paragraph of section 15 should be amended so as to prevent instead of permit Federal reserve banks opening accounts or establishing agencies in foreign countries. Since it is proposed by this bill to turn over to the Federal reserve banks the Nation's funds, we should not entangle them further by permitting the Federal reserve banks to establish agencies in foreign countries for speculation. The foreign banks authorized by section 28 of the Glass bill would attend to foreign business.

GOVERNMENT DEPOSITS.

It may be questionable whether it is constitutional to deposit Government funds in the banks, except in consequence of appropriations made by law. Funds that have not been appropriated must remain in the Treasury. Subdivision 7 of section 9, article 1, reads:

> No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

It may be that any funds that have actually been appropriated can legally be deposited in the banks. However, passing that question, the adoption of a policy to continually keep on deposit all the public funds in the banks is at least doubtful. The bankers claim that the money is being taken out of business to pay the Government demands and should be deposited in the banks in order to pass back into business. If its doing so were confined to legitimate business, and did not enter into speculating and gambling, there would be more virtue in the claim.

A concrete illustration exists at the present time to show the effect of the use of the public funds. The first $10,000,000 that the present Secretary of the Treasury deposited in the summer (1913) in the banks on 2 per cent interest basis, probably did no good, because it was immediately absorbed by Wall Street and used to exploit the people. The bank statements show that it quickly gravitated to Wall Street. I do not make the statement in criticism of the Secretary. It did not happen to be a good time to make the deposit. On the other hand,

the later and larger deposits being made by the Secretary of the Treasury in the banks in the South and West come at an opportune time. It will help to move the crops and to steady conditions and prevent financial stringency.

The undesirability of keeping all the public funds on deposit in the banks all the time is, I think, manifest. At certain periods there is a great demand for money to move crops. When crops have been moved the demand for money weakens and it piles up in the banks. The banks loan it out then at lower rates of interest. The speculators have taken advantage of those conditions in the past years to reduce the price of farm products when the farmers sell their crops. They hold the money tight then, but when the farmers buy what they require the speculators would have the money market easy so as to make the farmers pay high prices. In that way the speculators have practically fixed prices. When the farmer sells he is compelled to take the price the speculator offers; when the farmer buys he gives the price the speculator demands. That is one of the troubles with the present system and this Glass bill does not furnish a sufficient remedy.

If the banks are given all the public funds at all times, as the Glass bill provides, there will be times when they will not be in demand for legitimate commercial business. They will then be loaned to the speculators, who will exploit the people. Then when the demands of legitimate trade come again the money market will become tight. The farmer, the merchant, the manufacturer, and others will be compelled to compete with the speculators to borrow money. The interest rates will be raised. There will be no place then to give relief like that at the present time being extended to some sections of the country by the Secretary of the Treasury. The discovery that such relief can be given has come too late, for we will hardly have more than a sample of its effect until the Glass bill will become a law and will take the public funds and place them where they will be available to speculators in competition with legitimate commerce. It may be contended by those favoring the bill, that the banks can secure Government note issues at any time they wish. That is true if the Federal reserve board would approve, as very likely it would if the public interest required, but that is a protection available to the banks alone. They may apply if they wish, but neither the Federal reserve board nor the public at large could force such an application to be made. The banks are in the business solely for profit. It is for their interest to keep the rates of interest as high as they can, and it will make no difference how much the public may be in need of more money, the banks will make no application for Government note issues till such time as the public is willing to pay a larger profit than the banks can make without. The banks can bring out the note issues if they wish but no one else can.

NOTE ISSUES MADE ASSET CURRENCY.

For more than a half century the money loaners have ridiculed the issue of United States currency based on the credit of all the people. Now they ask the United States to issue notes on the credit of the people, but not for the people, nor in their interest. Instead it is proposed to organize the private banks into 12 or more special cor-

porations and issue this currency on the security of notes, bills of exchange, acceptances, Government, State, and municipal bonds. In other words, it is to be a form of asset currency supported by the Government but given to special interests to be vested by Congress with full and complete authority to scalp from the people and generally exploit them.

By section 7 in this bill the Government is to divide the profits that the Federal reserve banks get out of the people; that is, the Government is to print and engrave currency for these private corporations and give them the monopoly of loaning it, and whatever they are able to force the people to pay for the use of it such proceeds, after the corporations have first taken out the expenses and 5 per cent profit for themselves, the excess will be divided between these coporations and the Government. Considering section 7 in connection with the note issues which the Government is supposed to charge for, and also in connection with the charge to be made upon Government deposits, this section 7 establishes a vicious principle. Upon the note issue as well as the Government deposits, the policy of making a reasonable charge, can not be reasonably questioned. That is clearly within the Government right as well as a fair policy, but this section goes further, and provides that after the special private corporations to which Government note issues and Government deposits have been furnished and a proper charge made, that after these corporations have gotten out of the people a reasonable return, that is 5 per cent as fixed by the bill, then whatever in addition to that that can be extorted from the people the Government will divide with the banks.

No one other consideration in connection with the business dealings of the people with each other is so important as the money and credit system. The authority for the money, as well as the support of credit, depends for its stability on the Government. In the extension of the advantages sought to be derived from the use of money and a practical use of credit the power of the Government is absolutely essential. Any proper considerations by Congress of this subject are necessarily national in their scope.

It is the acme of absurdity for Congress to place between the people and the Government itself an agency in the absolute control of the distribution of money and the use of credit that would be valueless without the guaranty of the Government, and yet that is the identical thing that has been done by Congress, and the Glass bill emphasizes the absurdity.

Why should Congress place a controlling agency, employed for private gain, between the people and the Government of the United States? That is what has been done by giving to the banks the exclusive privilege of the use of the Government credit. Why is it proposed that the banker should take the merchants', the manufacturers', and others' notes, as well as the bonds of towns, villages, cities, States, and even the Nation's bonds, to the Government and get currency, and at the same time refuse the producers themselves, the makers of those notes and obligations, an equal privilege? The absurdity of the Government giving away its own credit to corporations to exploit the people is incomprehensible. The bankers are not to blame. Congress is to blame for giving away the people's rights and bestowing them upon the banks.

It is true that Congress possesses the authority and has the power to strip the banks of their exclusive monopoly, but the most of us have not the courage, and therefore we have the absurdity of the Congress of the United States giving to special interests the Government credit—the credit of the people—thereby forcing the people to borrow at exorbitant rates of interest the very money that their own Government issues on their own credit. The fiat of the Government is stamped upon the coins and the currency and then given to special interests and used as a means to pauperize the people. If the exclusive privilege were not given to the banks, then they would become the people's natural agents, but with the exclusive monopoly they become the people's masters.

The notes, bills of exchange, acceptances, bonds, etc., are the limited currency of those giving them—limited in its circulation by the credit that one or more persons are willing to give to it. By this Glass bill it is proposed to give the credit of the Government to these and create an endless chain by means of which the Government is to manufacture asset currency for the banks.

GOVERNMENT FURNISHES CAPITAL.

The Glass bill proposes to deposit all the Government funds in the banks. In the past the funds have been approximately $250,000,000 and the sum increases with the growth of Government business. Of this first sum of the people's own money to be taken from the United States Treasury the banks may loan to the people two-thirds and keep one-third on reserve. They will get the people's notes, bonds, etc., for approximately $165,000,000. Then, under section 17 of the Glass bill, they will be allowed to take these notes and bonds to the United States and deposit them and get United States currency. This currency they will take out and loan to the people and get an additional supply of notes and bonds. In the meantime they will have collected a lot of interest on the first installment, and, with that reloaned to the people, they take all the notes and bonds they get and come back to the United States Treasury for another supply of United States currency, and, as previously, they run out again and reloan that currency to the people, and now again they have still more interest collected from the people which they will have reloaned, so they add that and come back to the United States for still another supply of currency. If it were only the Treasury funds they were to have it would be hampered some by the reserve required to be back of the note issues, but they also get the deposits from member banks and can do the same with those.

Thus we see that the specially created interests which the Glass bill proposes to make will get the funds in the United States Treasury and a large part of the individual deposits of the people, loan them out to their owners, the people, get the people's notes and bonds drawing interest, and keep returning over and over, again and again, for United States currency to loan. Thus it is to continue "world without end," the people encumbered without end. It is to be a never-ending pulley, with boxes attached, leading from the banks into the Treasury of the United States, taking into the boxes the people's money, bringing it out from the Treasury of the people and into the banks, to be

loaned to the people themselves at a price to be in the exclusive control of the banks. The Glass bill proposes to protect the individual bank that rediscounts with the Federal reserve from exorbitant interest rates, but none but member banks can apply and the bill gives no individual borrower any protection as against an unreasonable charge of interest by the bank.

In accordance with the legislative and executive policy, and upheld by judicial decrees, running through their official acts, to be found in statutes, department orders, and judicial decrees, the people have been given into bondage. In less than 100 years the expense of administering the investment of the money that this Glass bill alone authorizes to be taken by the banks out of the United States Treasury, plus the compounding of interest, at the rates that banks charge and collect from the people, would absorb the equal of every dollar's worth of property now in existence and still leave a deficiency on which to declare the people bankrupt. I challenge any honest person to compute the cost to the people. If he does, he must admit the truth of the statement. A somewhat similar process to that which this bill makes possible for the pyramiding of loans from the use of currency authorized to be given to the banks has existed for a long time by the use of deposits and credits for loans based on bank accounts, and we are paying now in the high cost of living partly because of that practice. A vast majority of the people have no property, but live from hand to mouth on the little part they get from the results of their daily toil. The rest is absorbed to pay the toll that the Government practically provides for the banking and other special interests.

THE ABSORBING POWER OF INDIVIDUAL FORTUNES.

By reason of the policy followed by the legislative and executive departments, and supported by the judicial, there are several individuals in these United States, each of whose fortunes are now large enough so that 6 per cent annual interest compounded as is the custom, computed for 100 years, would furnish the owners with all the luxuries and extravagances of life, such as the families of the wealthy usually indulge, and in addition enable them and their successors to their fortunes to absorb the equal of the whole wealth now existing in this country. There are more than a thousand others who in twos, threes, fours, fives, and sixes could do the same thing. They are all levying a tax, burden, or whatever you wish to call it on us every day of our lives.

It is a fact that any and all the legislation that has been advocated by the political leaders will have mighty little influence in solving the cost of living. It is not in the tariff bill, nor is it in the currency bill. It will not come out of a bill that comes out of secret meetings and closed caucuses. There can be only one purpose for doors being closed to the public, and that is to whip subservient Members into supporting something that does not give the people that to which they are really entitled. This Glass bill is an example of that. Those who provide us with bread and butter and with the clothes that we put on our backs and the shelter for our bodies are the last to be served. These, who are the source and very basis for the supply of life's necessities, are deferred to a future period, while the Glass bill that we are called on to enact continues the system which gives to

special interests a monopoly control of the distribution of money. Those who toil must support it, and must appeal to these special interests and pay them the toll for its use, with not one word in the entire bill placing a limit on that toll.

It is generally pretended that the reason the money supply is out of proper commercial adjustment at certain periods is because of the extra demand for the movement of the crops. It is true that there is a farmer's demand, but the trouble with the reformers is that they do not intend to give the farmers the remedy. The farmer is put off till the last. His rural credit system can wait. The speculating interests are to be first supplied with funds to speculate on the farmers' products. This bill, in one of its sections, is expressly against the farmer. It offers a sop in section 26 by permitting the national banks to loan on improved farms for nine months, which would be of little if any value to a farmer. The farmer, unless in desperate straits, would be foolish to mortgage his farm for so short a period, but section 17 of the bill discredits the farmer's note by refusing to permit it to be used as security for United States currency, but allows most other kinds of paper to be taken. There is nothing better than a note secured by a farm mortgage. Farm-mortgage notes should be accepted the same as merchants' notes and others when they have the same period to run before maturity. A large amount of farm-mortgage notes are coming due within 60 and 120 days all the time; that is, a farm mortgage, after it has run to within a period of 60 or 120 days of maturity, it makes no difference how long it was made for originally, even if 10 years, is as good as any other short-time note, and the bill should be amended to take such notes.

While I regret it, I am not surprised that the President might advocate a bill that he could not possibly have had time to study, for his multifarious duties make it impossible for him to give detail study to these matters, but Members of Congress have time and are not excusable for submitting a bill so weak in its value to the public. It may be better than what we have now in practice, but the people are entitled to a bill worth 100 cents on the dollar.

Various other amendments of lesser importance could be made to the Glass bill, improving it, to which I shall not call attention in this report, rather leaving them to be considered on the floor of the House. In suggesting the amendments that I have, it is not with the intention of approving the bill even if the amendments are adopted. The amendments would improve the bill, and with them in I could vote for the bill when all things possible had first been done to adopt a good bill.

The Glass bill is unfitted to an adjustment of the greatest financial problems that now confront the people for solution. If it were to be amended so as to meet the necessities of the present times, even the title would have to be stricken out, another substituted, all the sections rewritten, and there would be nothing left to resemble the original.

NEW LEGISLATION AND NOT PATCHWORK IS NEEDED.

Congress was called into extra session to legislate with a view to reduce the cost of living. All honest people must commend the purpose. Earnest efforts have been and still are being made to accom-

plish that result, but on account of peculiar partisan practices and false rules for the government of Congress, for which men and not parties are at fault, Congress does not have presented to it in form to vote on measures suited to the people's most urgent needs. Secret committee meetings and secret caucuses frame bills, bind and gag the attending members, and by a system of evading record votes on separate important provisions, prevent the passage of legislation that would result in a substantial reduction of the cost of living.

Unless some sudden change takes place in the government of Congress, that is not apparent at this time, nothing that is here being done will reduce materially the cost of living to those who earn it by their daily work. The reason why may be easily understood by anyone who will carefully study the conditions. Such a study will reveal to anyone the leading cause for the high cost of living. When one understands those, he will know that the two bills which by the rules governing Congress are permitted to be acted upon, will not accomplish the result demanded.

In the hopes that the people, as well as their representatives in Congress, may give this most serious matter attention early enough to change the course of things here to give them a better turn, I have labored to point out a few things that must be done if we would give the people any material relief. I am not given sufficient time to state all the facts that I wish to in this report. I have no greater capacity than other Members, but I have put in the time to investigate carefully the conditions. I have gone out among the people and seen the rich and poor in actual operation in business and work and have studied them there as well as in their homes. I have had enough experience in various ways to enable me to understand quite well why it is that a few people are now getting all the wealth that results from the labor of people generally, and what is more important, I know that the power of the few to outrageously extort from the people generally can be prevented. For the information of any Member who has not had time to make the investigation for himself and who wishes to study the subject further from my viewpoint and so informs me, I will furnish a book which I have just published on Banking and Currency and the Money Trust, and also a speech which I delivered in the House August 2, 1912.

THE LOWER COST OF LIVING AND ITS RELATION TO MONEY AND CREDIT AND TO INTEREST, DIVIDENDS, RENTS, AND PROFITS.

We must have food, clothes, and shelter, and require the instruments with which to ply our daily work. These are the prime necessities, and are made available only as the product of labor. They determine the initial cost in living. When the means of the individual units in our social order—that is, of the people—are safeguarded and kept unencumbered while they provide their prime necessities, their securing benefits from the social order in excess of such prime requirements will be assured as a consequence. A few concrete illustrations will make that clear.

It must be kept in mind that the Government of the United States and of the several States has established a policy supported by general practice, by statutes, and the decrees of courts, that the owners of property are legally entitled to a rate of interest or divi-

dends or profit return, that in and of itself encumbers all people. The people must have the use of the property or the products from its use and therefore are compelled to pay the interest. The power of its enormous burden I show in the following interest table compiled by a former Librarian of Congress. This table shows the growth of $1 by compounding interest in the manner of the banks. One dollar loaned for 100 years would grow as follows:

Interest at—	
6 per cent per annum would amount to.....	$340
8 per cent per annum would amount to.....	2,203
10 per cent per annum would amount to.....	13,808
12 per cent per annum would amount to.....	84,075
18 per cent per annum would amount to.....	15,145,007
24 per cent per annum would amount to.....	2,551,798,404

I shall cite a few individual cases from which Members of Congress can easily determine that not only on paper and in theory is the Government supporting a policy of pauperizing the people, but it is actually pauperizing them by its support of this practice. Use the table above, and from it the tremendous power of interest and dividends to oppress the plain producers may be seen. The individual fortunes are stacked up against the people's daily energy, so that from the products of their toil the interest, dividends, and rents must be paid. It means that dead capital is stacked up against human life so as to make humanity subservient to so-called "vested rights," by law privileged to take an extortionate toll for the use of substance which has been produced by the people's own toil. That is the incumbrance to which I referred as being directly and indirectly responsible for the high cost of living. No bill that would properly deal with this problem has been permitted by the so-called "leaders" in this Congress to get a fair hearing. On the contrary the "leaders" have appropriated the public committee rooms and the Halls of Congress as well, corralled subservient Members, locked the doors to keep the other Members and the public out, and produced bills that Members have been coerced to support under the guise of harmony in a party.

The following cases to which the table of interest may be applied is illuminating:

From the testimony given by George F. Baker (president of the First National Bank of New York City) before the committee appointed to investigate the Money Trust we learn that the operations of a single bank produced in 50 years profits equal to $86,000,000, or 172 times its original capital. If that bank continues to do business and is allowed to pile up profits in that geometrical progression it alone, on an original investment of $500,000, in less than 100 years would have the power to extort from the people more than the equal value of all the existing property in the United States, and that bank is but one of the 30,000 banks operating on an uneconomic system.

The capital stock of the national banks alone, in 1912, was $1,046,012,580. The dividends paid for the year ending June 30, 1912, averaged 11.66 per cent, which was in addition to the accumulation of a large surplus. Going at that rate, compounded as the banks do, they would have the equal of the entire present valuation of the country absorbed in less than 50 years and would have the

surplus from year to year to do anything they wish with. These dividends are over and above all the expenses which include pay for the clerks and high salaries for the officers connected with the banks. That is not all; the bank officials have unusual opportunities, and most of them do speculate in various ways, and in the aggregate they get greater profits from deals that make no return to the banks than the actual dividends declared. What I have named includes the national banks alone. There are more than twice as many other banks, loan and trust companies of the different kinds. These do about twice as much business as the national banks. That is just one great interest, the banking and financial.

There are the railways, the steel and iron companies, the oil companies, the coal companies, the telegraph and telephone and numerous other companies, besides a thousand or more great individual fortunes, that concentrate into very limited control the principal part of the active capital in the country. This is held on one side by the so-called capitalists, protected by the "vested rights doctrine," which means law, that enables them to extort from the people in what are called dividends, interest, rents, and profits, an amount that, as shown by the interest table given before, is absolutely sure to keep the cost of living high and to keep the people working to support that system. By that system any person who can get a few thousand dollars can live in idleness or as a spendthrift on the interest that the working people of this country are forced to pay.

Members of Congress are intelligent. What I have already stated is sufficient to show any intelligent person that our present system is a fraud on the people. No intelligent, self-respecting people can long tolerate a governmental system which by its established and expressed policy places an unnecessary burden on the citizenship. I shall not multiply the examples showing the injustices created by the policy of Government. A word to the wise is sufficient. To others it would be hopeless to pile up examples.

WE REQUIRE TO LIBERATE THE PEOPLE FROM EXCESSIVE INTEREST.

Under the Glass bill the amount of money that would be exclusively within the control of the banks within a few months after its becoming a law would be increased. The bankers' powers to collect interest would be considerably augmented. It is on that account that the Glass bill does not provide a remedy to meet the people's greatest necessity.

There is but one way to meet the financial necessities of the people, and that is to have the Government support all the people in whatever useful industry they may be engaged. The Government must withdraw from the banks the exclusive monopoly control of financing the people and give to every legitimate and necessary enterprise impartial governmental support. It is absolutely necessary to an independent people that the Government should stand ready to do that. Then the bankers, seeing that they no longer have an exclusive monopoly, would exercise the office of an agency instead of holding the hand of mastery. With that purpose in view, and to pave the way for very early permanent relief to the people, I offer the following amendments to the Glass bill:

Strike out the title of the Glass bill and substitute the following for its title:

A BILL To amend the national banking laws, to provide a revenue system by which the Government taxing powers shall be represented by United States currency drawn on the people of the United States to be disbursed through the governmental agencies on appropriations by Congress for services rendered or to be rendered the Government, to inaugurate, develop, and maintain an American financial policy and currency system which will liquidate and eventually abolish debt, National, State, and municipal, and put the public and private enterprises, industries, and exchanges upon a sound economic basis, and remove the power of private interests to monopolize the mediums of exchange, and for other purposes.

Also strike out all of the Glass bill following the enacting clause, except sections 26, 28, and 29, and renumber said sections so as to be numbered sections 18, 19, and 20, respectively, and in lieu of the part thus struck out insert after the enacting clause the following:

FISCAL DEPARTMENT.

SECTION 1. That there is hereby established a new fiscal department of the United States as an adjunct to and within the jurisdiction of the Treasury Department of the United States. The board of said fiscal department shall consist of eight members. This number shall include the Secretary of the Treasury, who shall be member ex officio, but without voting power except as specifically in this act provided, and seven others, nonpartisan, to be selected by the President, by and with the advice and consent of the Senate, and whose term of office shall be for ten years: *Provided*, That in naming the first board one shall be named for two years, one for four years, one for six years, one for eight years, and three for ten years, and always subject to removal by and with the consent of the Senate. The salaries of the seven members thus appointed shall be fixed by Congress annually in the appropriation bills. The Secretary of the Treasury shall be the chairman of said board and shall select a first and second vice chairman, who shall, in the order named, preside at meetings in the absence of the Secretary of the Treasury. The Secretary of the Treasury shall have no vote except in case of a tie vote, when he may vote to break the tie. Five members shall constitute a quorum. The seven members on the board appointed by the President and confirmed by the Senate shall devote their entire time to the business of the fiscal department and do the principal part of the work in order to establish in practical working order a new fiscal department; that said board shall have authority to employ such assistance and incur such expenses as may be necessary in the performance of their duties, and for such purpose there is hereby appropriated $100,000, or so much thereof as may be necessary, to be paid out of the moneys in the Treasury not otherwise appropriated upon vouchers approved by the Secretary of the Treasury.

UNITED STATES CURRENCY.

SEC. 2. That in aid of Congress in pursuance of the power conferred by the Constitution upon Congress to coin money and regulate the value thereof the fiscal department is hereby authorized to issue a new United States currency, which shall be in the form of public-service certificates, and these shall state upon their face in substance that the bearer has performed a public service of the value stated in the certificate, that each separately is issued and circulated for value received under the provisions of this act, and the same shall be the lawful money of the United States and shall be receivable at par for all debts, dues, and demands, public and private, within the jurisdiction of the United States, created after the passage of this act; that the same shall be printed and engraved by the Bureau of Printing and Engraving from plates and dies devised by the fiscal department, and shall be issued from time to time in such quantities and in such denominations as the public interests require, and in all cases, except where otherwise provided in this act, shall first be placed in circulation by being earned in public service of the Government or in the supply of some material needed for Government use, and then for its full par value, and shall not after returning to the Government be again reissued or circulated except for a like purpose.

DISTRIBUTION OF UNITED STATES CURRENCY.

SEC. 3. That to carry out the appropriations made by Congress, the fiscal department shall issue the United States currency authorized by this act to the various departments of Government for all public purposes that require or may require the expendi-

ture of public funds. That when funds have been appropriated by Congress and the United States currency is issued to cover such appropriations, the fiscal department, for the convenience in the transaction of business through the Government disbursing agencies, may deposit such currency, as well as checks, drafts, and other receipts of the Government, in national and other banks, or in postal savings banks, for checking accounts, but banks shall not be required to pay interest on such accounts. Deposits of checks, drafts, and other evidences of dues to the Government may be made in the banks, but otherwise the United States currency only shall be deposited in the banks by the Government, which currency when so deposited shall be held as a specific fund to special deposit, but checks and drafts and other evidences of dues to the Government deposited by the Government shall not be distinguished from or have any privileges or preference over other deposits of individuals, whether private or otherwise, in the same banks. No deposits shall be made in banks for the purpose of creating surplus therein but merely to facilitate the transaction of public business. The banks shall, so long as there remains a credit to the Government's general account, pay checks drawn by the Government agencies out of the general account, and the use of the special deposits of United States currency in payment of such checks is hereby prohibited until the general account shall have been exhausted, in which case payment may be made out of the special deposit.

CANCELLATION OF EXISTING CURRENCY.

SEC. 4. That from and after the passage of this act all United States notes, currency, gold and silver certificates, and national-bank notes shall be full legal tender for all debts and dues, public and private, in the United States, its Territories, and possessions, except debts or contracts existing at the time of the passage of this act, which by their terms are payable in some other form of money or material, but while in circulation the present money and currency aforesaid, as well as all existing coins, shall not be deprived of its present qualifications, and the outstanding United States notes, currency, gold and silver certificates, and bank notes shall be redeemed on demand in such other form of money as now provided by law; and as soon as practicable after any United States notes, currency, gold and silver certificates, and bank notes come into the possession of the Secretary of the Treasury for redemption the same shall be canceled and destroyed: *Provided*, That when such redemption is of national-bank notes the amount canceled shall operate in liquidation of an equal amount of United States bonds securing the same, except that any national bank may, by giving the fiscal department such notice as the said department may require, have the national-bank notes redeemed, reissued by complying with the laws as to the maintenance of security, and no such notes, currency, or other certificates shall be reissued except as in this act provided. All existing laws for reissuing or recirculating any such notes, currency, or certificates are hereby repealed. That when gold or silver becomes the property of the United States their legal-tender quality, except as to subsidiary coin required for circulatory purposes for small change, shall cease and the gold be reserved for use in the redemption of outstanding obligations and for use and in aid of interstate exchanges when the Government shall in any way be interested. That the fiscal department may purchase gold from time to time at the marketable value, if necessary, for either of said purposes, and also when, in its judgment, the national debt can thereby the better and the sooner be extinguished, and except as authorized by this act, the United States shall receive gold for coinage only, the purpose being solely to affix the governmental stamp of weight and fineness to such coins, but all coins so made after the passage of this act shall have no legal-tender quality. A charge equal to the cost of coining the same shall be made, which coin shall forthwith be removed by whoever it may have been coined for, and no department of Government shall hereafter give storage facilities to any gold bullion or coins not belonging to the United States and shall issue no more gold or silver certificates.

SEC. 5. That on and after three years from the passage of this act a storage charge equal to the cost of maintaining the same shall be charged and collected on all gold and silver held against outstanding certificates, it being the ultimate purpose and policy of this act to remove the Government fiat from all metals and reduce metals to their commercial commodity value.

AID TO THE STATES.

SEC. 6. That all States of the Union whose laws now or hereafter confer upon them, or their executive or other State functionary, the power to borrow money on the credit of the State or to guarantee the obligations and debts of their counties, towns, boroughs,

villages, cities, municipalities, school districts, or political divisions for any just and recognized public use, may apply to the Secretary of the Treasury to secure loans of United States currency for the purpose of defraying the current expenses of the State or any of its political subdivisions aforesaid for which the people of the State or political division aforesaid are taxed. The Secretary of the Treasury shall certify to Congress as often as practical, not less than once annually at the beginning of each session and oftener when practical, an abstract of such applications and the details so far as practicable in regard thereto, to the end that Congress may in its discretion appropriate United States currency in such sums as it deems best for the use of such State or States applying therefor, and to be loaned by the Federal Government to the States only. Before any such loans shall be made the fiscal department shall recommend uniform rules and regulations, so that Congress may not discriminate or allow discriminations by the fiscal department in making such loans, and shall prevent the States, in the use of the funds secured, from allowing any discrimination in the administration of the system. Such proposed rules and regulations shall provide for a uniform expenditure by the States, so that the issue of United States currency and the volume shall conform to the demands of business, public and private, avoiding alike redundancy and insufficiency, and shall provide that no State shall pay out said currency secured from the Federal Government except for the full face value of the same in service to the public for public purposes for which the people are annually taxed, so that the currency may be returned in the payment of such taxes through the usual methods; and before any State shall be extended a loan it shall establish and submit to the fiscal department the rules by which it would be governed in the expenditure, which rules must be satisfactory to the fiscal department. All rules and regulations thus proposed shall be referred to Congress for such action as Congress may adopt.

SEC. 7. That the charge for loans to the States and the manner of guaranty by the States and the form of guaranty to insure the proper expenditure of the same shall be adopted by the fiscal department and shall in every respect be uniform to the States and subject to review and confirmation by the Senate.

NATIONAL PUBLIC WORKS AND IMPROVEMENTS.

SEC. 8. That the fiscal department shall devise a plan whereby Congress may be guided in the enacting of legislation to authorize the fiscal department to establish a system of national public works and improvements adapted at all times to give immediate relief to all congested labor conditions within the territorial jurisdiction of the United States and render available all surplus labor and insure against enforced idleness and the ills incident thereto by means of the inherent powers of the Government to establish justice and promote the general welfare, and shall report such plans and the outlines of a policy to Congress with recommendations.

AID TO THE AGRICULTURAL AND HORTICULTURAL INTERESTS.

SEC. 9. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the authorized representatives, organized and unorganized, of the agricultural and horticultural interests of the Nation, with a view to the adoption of a plan and policy of systematizing the production, storage, transportation, and distribution of agricultural and horticultural products, to the end that both the producers and consumers of such products may have complete emancipation from the present extortions of speculators and manipulators in these products and of organized and trustified storage, elevator, and transportation combinations now monopolizing the same and controlling and manipulating the prices of such products both to the producers and consumers, and shall, if practical, propose such an extension and enlargement of the postal savings system, and if need be, increased issue of United States currency in aid thereof as will provide for a system of Government loans to owners and operators of improved agricultural and horticultural lands, upon such terms as will amply insure the repayment of such loans, at a rate of interest not to exceed four per centum, payable semiannually. Such interest shall be reduced to a nominal interest barely sufficient to reimburse the Treasury as soon as the national debt can be extinguished, and such plan shall be reported to Congress with recommendations.

GOVERNMENT LOANS TO WAGE EARNERS.

SEC. 10. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the organized and unorganized wage earners to consider and devise a plan and policy for a system of Government loans to wage

earners at the lowest rate of interest consistent with the cost and integrity of the service, which loans will enable them to provide homes independent of real-estate speculators with an adjunct and department of wage and salary advances to further protect wage and salary workers from the overcharge made by loan agencies. These plans shall be submitted to Congress with recommendations.

AID TO MANUFACTURING INDUSTRIES.

SEC. 11. That the fiscal department shall proceed with all reasonable expedition to an inquiry into the conditions of the manufacturing industries of staple products in the United States and Territories with a view to ascertain the state of such industries and devise plans for the inauguration of a policy to aid and assist such of those manufacturing interests as are not involved in monopolistic combinations, or are able and disposed to extricate themselves from existing monopolies, which plans shall involve a system of Government loans and advances to such manufacturing interests as are able to insure the repayment with the lowest rate of interest consistent with the cost and the integrity of the service, which plans shall also be reported to Congress with recommendations.

IN GENERAL.

SEC. 12. That it shall be the duty of the fiscal department to investigate into the financial conditions of all legitimate industry, work, and enterprise of whatsoever character, the pursuits and results of which, under proper conditions, promote the general welfare, and ascertain what plan or plans, if any, can be contrived for their aid by extending Government loans to them or such of them as require aid. The fiscal department shall report to Congress from time to time thereon with recommendations.

SEC. 13. That the fiscal department in its administration shall take notice of the economic fact that payment by the Government for a service to the Government involves a collection from the people of an equal amount plus the expense of collection, and that the issue of United States currency in payment of Government expenses creates a demand on the part of the people equal to the currency required to be returned to the Government in cancellation of taxes or dues; and further, that economic private enterprise (eliminating speculation) for the production of commodities or the rendering of services for the use of others legitimately involves the return of commodities or services of equal value, whether the same is accomplished by direction or indirection, and that whenever actual commodities or services are not immediately or directly exchanged in a cancellation of the respective obligations, then a credit representative is necessary, and so far as possible, in a practical sense, when applied to the affairs of the people as they exist, the obligations of credit should be liquidated without the burden of a greater charge than is consistent with the cost and integrity of an honest and just system. Therefore in the supply of United States currency guaranteed by the credit of the people as a medium of exchange, the volume to be placed in circulation should conform to the needs of commerce, avoiding alike both redundancy and insufficiency, and with that as the purpose the fiscal department shall make estimates and report to Congress, for under the Constitution no money shall be drawn from the Treasury but in consequence of appropriations made by law.

AUTHORIZING NATIONAL BANKS TO BORROW RESERVES.

SEC. 14. That the national-bank act is hereby amended so as to permit national banks to borrow from their own reserves by complying with the provisions of this section. That any national bank having its capital and surplus unimpaired may apply to the fiscal department to borrow from its cash reserves maintained in its own vaults. The bank so applying shall set forth in detailed description the securities it proposes to deposit with the fiscal department for the loan, which securities shall be of the same character as is by law and practice now required or as may be hereafter required for the deposit of Government funds in banks. If in the opinion of the fiscal department the public interests require the extension of any such loan or loans, the same shall be authorized by said department to the extent it deems wise; but before a bank authorized to borrow from its reserves shall be allowed to do so its securities shall be approved and deposited with the fiscal department in such amounts as the fiscal department shall demand, and the bank or banks having complied with all the rules and regulations of the fiscal department, on order from said department, there shall be transmitted from the nearest subtreasury to the bank or banks to which such authority is extended United States currency to the extent of the amount authorized to be borrowed from the reserves, and the bank shall specifically retain the United States

currency thus received in its vaults, and then may loan or pay to its depositors or pay its other obligations from its other cash reserves held in its vaults to the extent authorized, and shall substitute the United States currency thus paid out to be kept as reserves and for the benefit of the bank's creditors to the extent of the actual amount of the reserves that have been borrowed and paid out by the bank, as herein authorized. Any bank thus borrowing shall pay interest to the fiscal department on the amount of United States currency loaned to it under the provisions of this section at a rate which shall not be in excess of four per centum per annum for the first three months, which rate shall be increased thereafter monthly at the rate of one per centum per annum for each additional month until paid, but subject to the fiscal department requiring the payment when in its opinion the public interests require it. For the special purpose of carrying out the provisions of this section and the following section there is hereby appropriated, in addition to all other sums appropriated by this act, the sum of $1,500,000,000 of United States currency, authorized by this act to be specifically retained by the fiscal department for said purpose, and to be specifically retained by the fiscal department for said purpose, and to be printed and engraved in advance in such amounts only as are necessary to insure a sufficiency immediately when required.

STATE BANKS.

SEC. 15. That from and after the passage of this act any bank or banking association or trust company organized or incorporated by special law of any State, or organized under the general laws of any State, or of the United States, and whose capital and surplus is unimpaired, may make application to the fiscal department for the right to borrow from its cash reserves maintained in its own vaults on complying with this act and the rules and regulations of the fiscal department: *Provided*, That the same shall be consistent with the laws of the State under which such bank or trust company is organized: *And provided further*, That a majority of the stockholders in the bank or trust company of such applicants shall sign in writing their consent with the fiscal department to bring the banks so applying within the laws, rules, and regulations that govern national banks in securing such loans, except that no bank shall be refused the privileges and advantages in regard to such loans on account of the amount of its capital and surplus so long as the same remains unimpaired. All such banks having complied with the provisions named shall be entitled to like privileges accorded to national banks.

The substance of what I offer in amendment above is embodied in a bill that I introduced August 8, 1913. Sections 14 and 15 provide for an emergency currency that would absolutely relieve the banks of difficulty to furnish funds to move the crops, and would save the Nation from the burden of establishing another retinue of officials for 12 or more central banks, such as the Glass bill provides. With these amendments that I offer enacted into law, the many economic evils now existing in our social conditions would directly cease. Furthermore, the bankers would then be instrumental in carrying out the great reform. Once their exclusive privilege and monopoly is taken from them, we shall have the benefit without the burden of their practical dealings.

The bill that I have offered as a substitute for the Glass bill has all the elements of a complete system, and would reach its perfection through the work of the board of the fiscal department, which board would give all its time to that purpose. It would not discard the present system, but would require it to stand on its own merits. If the old system would respond to the demands of freedom in trade, that system would continue in use, but if it failed, the new system would respond. The issue of currency would be scientifically regulated to meet the demands of trade. It would be controlled by the Government instead of by the banks. While this is not a party question the following plank in the Progressive Party platform states the correct principle:

The issue of currency is fundamentally a Government function and the system should have as basic principles soundness and elasticity. The control should be

lodged with the Government and should be protected from the domination of manipulation by Wall Street or any special interest.

GOLD STANDARD RESPONSIBLE FOR MANY OF THE SOCIAL EVILS.

It will be objected to my bill that it discredits the gold standard. It is difficult to remove a prejudice such as that existing in favor of the gold standard.

On March 14, 1910, after an adroit campaign carried on by the special interests covering a considerable period, Congress passed an act which called for the permanent establishment of the so-called "gold basis" for all of our money. Since then there have been new inventions made for mining gold which make the available amount more plentiful, with the result that the "gold basis" is puzzling the Money Trust. But there is a still further complication and that is that the people are becoming familiar with the fallacy of the "gold standard" and they are becoming dissatisfied in proportion to their understanding of its bad effects.

The dollar is worth less now than it was in 1900; that is, it will buy less. That fact, particularly, does not satisfy the creditor class. They have had enormous interest returns, but they have lost a part of that advantage because of the depreciation of the purchasing power of the dollar. To a greater or less extent all of the people are dissatisfied with it; many for selfish reasons; and they only desire a remedy to be adopted which will help them alone, but there are fewer of these than there are of those who seek a reform which will better the conditions of all.

We have seen many comments in the press lately in regard to a plan devised by Prof. Irving Fisher, of Yale University. Mr. Fisher is no doubt an honest and earnest worker who is trying to reform the gold standard. He has arrived at the inevitable conclusion that every capable student must finally adopt, and that is that the present gold standard is not the standard by which we can secure honest money.

Prof. Fisher has given a most thorough analysis of the production and supply of gold and shown quite extensively the effect of its present use as a money standard upon the prices of commodities. I have given below a synopsis of his plan as stated in the Boston News Bureau of December 28, 1912. It is as follows:

Prof. Fisher is one of the most distinguished economists in this country, if not in the world. He is eminently practical and not merely theoretical in all his work and writing.

All who have to do with long-time contracts recognize the desirability of a monetary unit of fixed purchasing power.

The following is Prof. Fisher's plan for converting the gold dollar into such a composite unit, thus standardizing the dollar. Such standardization would be effected by increasing or decreasing the weight of gold bullion constituting the ultimate dollar in such a way that the dollar shall always buy the same average composite of other things.

Every dollar in circulation derives practically its value or purchasing power from the gold bullion with which it is intercontrovertible. Every dollar is now intercontrovertible with 25.8 grains of gold bullion (nine-tenths fine), and is therefore worth whatever this amount of bullion is worth.

The very principle of intercontrovertibility with gold bullion which we now employ could be used to maintain the proposed standardized dollar. The Government would buy and sell gold bullion just as it does at present, but not at an artificially and immutably fixed price.

At present the gold miner sells his gold to the mint, receiving $1 in (say) gold certificates for each 25.8 grains of gold, while on the other hand the jeweler or exporter

buys gold of the Government, paying $1 of certificates for every 25.8 grains of gold. By thus standing ready to either buy or sell gold on these terms ($1 for 25.8 grains), the Government maintains exact parity of value between the dollar and the 25.8 grains of gold. Thus the 25.8 grains of gold bullion is the virtual dollar.

The same mechanism could evidently be employed to keep the dollar equivalent to more or less than 25.8 grains of gold, as decided upon from time to time.

The change in the virtual dollar (bullion weight of gold intercontrovertible with the dollar) would be made periodically, or once a month, not by guesswork or at anybody's discretion, but according to an exact criterion. This exact criterion is found in the now familiar "index number," which tells us whether the general level of price is, at any time, higher or lower than it was. Thus, if in any month the index number was 1 per cent above par, the virtual dollar would be increased 1 per cent. Thus the dollar would be "compensated" for the loss in the purchasing power of each grain of gold by increasing the number of grains which virtually make the dollar.

Prof. Fisher has performed a great service to his country and to the world by discrediting the gold standard so convincingly. When a man of his prominence and ability has the courage to state his beliefs, the more timid of those holding like views, of which there are many, ought to take an active part in supporting the indictment of the gold standard.

While the professor has clearly indicted the gold standard and conclusively shown that it is a false one, I do not agree with the remedy that he proposes. Instead of proposing to abandon gold as a standard and relegating it to its natural place among the articles of commerce, he advocates its reform and would still retain is as a standard by making the weight of the dollar variable and determining its value from time to time according to a commodities index. The professor is surety correct in his assumption that commodities have actual value worth considering in connection with the establishment of a true exchange system based upon the actual value of services and commodities. It is to be regretted that Prof. Fisher has complicated the conclusions he arrives at by continuing to consider the gold standard entitled to any greater recognition than is accredited to commodities in general. After proving its falsity he should have suggested the abandonment of the gold standard.

If we were compelled to change the weight of the dollar monthly, quarterly, or even annually, as we would have to do with a commodity dollar; if we tried to keep it of the same purchasing power all of the time, it would give us more trouble than we now have in changing the tariff schedules; but while Prof. Fisher has performed a world service in being instrumental in giving general publicity to the falsity of the gold standard, that publicity is pushed by the influence of selfish interests, because they are pleased with the remedy he proposes. If he had not proposed to standardize the gold dollar, his proof that it is not an honest measure of value would have received no publicity greater than he himself and his friends and a few others could give to it. It would have been ridiculed if he had not proposed a remedy that suited the interests, for the money sharks demand some measure that is favorable to them and not fair to the people. They have always sought to make the world believe the gold standard to be sacred and, therefore, that the people were bound to support it, no matter how much it wronged them. These selfish interests have simply seized on this proposed remedy, which I believe Prof. Fisher to have erroneously suggested without his having given as much thought to the remedy as he had to the facts which conclusively prove gold to be a false money standard.

It may seem strange to some people that this remedy suggested by Prof. Fisher should be advertised all over the world now, but there is nothing strange about it, for the all-powerful Money Trust interests are quick to observe anything that might be made use of by them, and immediately upon its appearance they seized upon the idea of standardizing the gold dollar and were instrumental in having the plan advertised in order, if possible, to induce the people to accept it as a remedy.

It may not be generally realized by the people that this is a critical period in the establishment of governmental policies, but the interests are especially alert to that fact. Everything is being done to make the people accept some worthless makeshift, and in some cases actually harmful, so-called "remedies," which, if accepted, will delay the adoption of real substantial remedies until another generation shall enter public life. It is because of that fact that I fear the Glass bill may delay a true remedy. Simultaneously, in all countries where they have the gold standard—and that is in most countries, and in the others equally unjust standards are used—articles were published which were substantially the same in substance as the following which was published in a Washington paper on April 12, 1913:

TO ASK INTERNATIONAL GOLD-DOLLAR AGREEMENT.

One of the features of the proposed currency legislation which will be considered by Congress is the initiation of a movement for an international agreement for the purpose of preventing the depreciation of the gold dollar.

Such action has been suggested by eminent economists. It is widely held that the enormous increase in gold supply and the consequent depreciation of the gold dollar is the real cause of the high cost of living and high prices.

Democratic leaders, especially Senator Owen, chairman of Banking and Currency, feel that if the cost of living is to be reduced the gold situation must be taken into account.

Not all of the articles appearing in the press directly discuss the gold standard, but many of them are adroitly written in order to impress the reader and prepare him to receive the information that the gold dollar is not now a good standard, but further designed to make the reader come to a wrong conclusion on the question of a remedy. When the first half of an argument is true, unless the reader is very careful it goes far toward making him believe that the second half is also true, and that is frequently the case even when the conclusions are wholly erroneous, as long as the material is adroitly handled. That is where the danger comes in the discussion of the gold standard from the side of the special interests alone. Innumerable articles are now published, in fact the plan is systematically advertised for that very purpose. But there are other articles which are written and published in good faith, and in these there is no intention to deceive. An article was published in Collier's Weekly, also on the date of April 12, 1913, which I quote:

THE DISCOURAGEMENT OF THRIFT.

The people of the United States have now saved up well over a hundred billions, as measured by current money standards. The aggregate is amazing, and, while the amount per capita is not large, nothing like it was ever known before in any country. This saving takes on many forms—the largest, of course, being in the rearing of children, which shows itself in the steady increase in the value of land. The next is ownership of enormous amounts of securities of railway and industrial companies

and the like. Then probably comes life insurance. The savings in banks are relatively small. The increment in land values goes to much less than one-half of the population, even in theory, and a comparatively small number of people get the benefit which is made up of the efforts of all. The larger amount of the securities outstanding represents a more or less fixed value. The eighteen billions of insurance in force is of absolutely fixed value. While these securities and insurance obligations were being created the relative worth of the dollar has been rapidly declining. The forehanded folk who saved and loaned this money get for it an average return of less than 5 per cent, and if they received back the principal now it would buy of land or food one-third less than 12 or 15 years ago. This is a savage penalizing of thrift. We believe that events will soon focus public attention upon this serious problem. The procedure of the insurance companies, which in part is enforced by law, is of special interest. The companies collect above $600,000,000 annually from policyholders, and from this loan largely on long-time notes. They act simply as money brokers, but with this effect, that with the rapid depreciation of the currency in the last 15 years, they are now returning to their policyholders, on death claims or matured policies, relatively far less than the average amount of money which the policyholders have paid in. Roughly speaking, the policyholder has been paying in $1 bills; he will get back 66-cent pieces. Theoretically, the compounding of the interest on premiums ought to pay the companies' expenses and yield the policyholders a profit on the average payment. In point of fact, with the extravagance of the companies and the decline in the purchasing power of the dollar, there is a serious loss. This is not as it should be. A remedy might lie in a radical change of investment. A larger part of the insurance money is loaned directly or indirectly on land. Actual ownership of the land ought to be as safe as loans, and, if gold inflation is to continue, more profitable. It is something to think about.

Surely Colliers states the truth when it says that it is something to think about. We have indeed been buncoed long enough—so long that we ought to think about it seriously. It is up to Congress right now.

I believe that the remedy is necessarily twofold: First, and concurrent with the establishment of a new system, the old system should be so amended that some of its most serious administrative defects will be diminished. It should then serve as a vehicle for carrying out the equitable relations and obligations already existing as a result of the legitimate business based upon it.

Second, an entirely new system should be instituted, which shall be founded upon the natural demands of commerce and trade and divorced from personal favor or property preference. This new system should be the basis for the establishment of a permanently solid and equitable means of exchange.

In order to completely accomplish the latter, we will have to cease monetizing gold. But that prohibition would not prevent, nor should we desire to prevent, the use of gold as a means of exchange. The Government, on being paid the cost of stamping, may properly stamp the weight and quality on any commodity of commerce and let it pass in exchange on a basis of its own intrinsic value. Anyone who demands more than that privilege for the use of a metal or other commodity is intentionally unfair to the rest of us, or ignorant. In most cases it is because the persons accept seeming facts without actually understanding the conditions which surround them. If the owner of gold, silver, or other commodity desires to pay the Government the expense of the operation, there need be no objection. To so stamp gold and make it legal tender is simply to decrease the value of our labor, and of our property—if we have any, unless we also possess gold enough to offset, which most of us do not.

The owners of gold claim that it has an intrinsic value which makes it the most practicable commodity to use as money. Because

of its small bulk it is a convenient commodity to ship and store. But it can be used as a means of exchange without making it legal tender. The Government could still stamp its weight and fineness, and then it could be exchanged in the same way that it now is if it really is intrinsically worth what they say. If it is not, then it should be exchanged for only what it is worth. When the owners of gold ask anything more, they, in effect, admit that it becomes more valuable with the legal-tender privilege than without. They would not demand it if that were not true. It can not be made legal tender except by governmental act. A governmental act is the act of the people, and there is no reason why the people should stamp gold or any other commodity that belongs to individuals with a special privilege. This results in a tax against themselves. Let gold be weighed and tested and given credit only for what it is. Existing coins will retain their legal tender while in circulation, but when the Government acquires any such, their legal-tender character should be removed, and after that bullion should be stamped with its weight and quality and should become an article of commerce standing on its own merits.

If the owners of gold are correct in their statement that gold circulates on its intrinsic value, instead of partly on that and partly on the additional value it acquires by reason of the demand created by the legal-tender stamp, it is useless for them to ask that it be made legal tender, and if gold is not commercially worth what it circulates for as legal tender, then the owners are unjust in asking the public to support the value added to gold by the Government stamp. Let them take whichever side of the proposition they wish. In the one case the legal-tender quality would be useless. In the other it would be a burden placed upon the public and supported for the benefit of the owners of gold.

To cease monetizing gold or metal is to drop a practice long indulged in for the benefit of the money loaners. The people have become accustomed to paying them for the credit supported by themselves. I can not say that it can be entirely stopped. There are many practices that injure the people generally, but are nevertheless followed. I simply call attention to certain facts that can not be successfully disputed. I know, and so does any careful student know, whether he admits it or not, that the fact that the Government stamps legal-tender privileges on gold creates an increased and artificial demand for it, and consequently a merchantable value that is very much in excess of what it would be if the gold did ot have impressed upon it this legal-tender privilege. It now partakes of the character of monopoly. Every additional cent of credit given to it above intrinsic worth as an article of commerce, by reason of the Government's stamping it legal tender, is first extorted from the people's own credit, next accumulated in the form of so-called "capital," and after that becomes the basis for charging them compound interest for generations—perpetually—if they shall not emancipate themselves by an abandonment of this false practice. As far as the principle is concerned, there is no difference between the Government stamping gold as legal tender and giving the owner the advantage of its increased value, and the same stamping process being applied to plain paper.

Under the present practice all value in excess of what gold is actually worth as an ordinary article of commerce is fiat credit added

to it by the people. If the same stamp were affixed to paper, it would all be fiat. It is simply a question of degree, and neither can be extended to the individual as a free privilege without robbing the people of all that is added by their credit.

The whole problem simply reduces itself to a question of how long will the people submit to remaining industrial slaves to the system. The gold owners ridicule fiat greenbackers, yet they themselves are fiatists. If they are not, why do they object to gold circulating on its own commercial merits? Why do they wish to coin it with any other designation than its weight and fineness and why force the people to take it as legal tender? They are inconsistent in claiming a special privilege for gold. If gold is worth all they claim for it, it needs no extra function. If, on the other hand, it is not able to retain its present relative value without being legal tender, then that is positive proof that it should not be made legal tender. In the one case it is unnecessary; in the other case it is unjust. The Government will have to cease monetizing gold or any other metal as soon as the people generally realize its present imposition on them.

You may say that some losses would be suffered in a readjustment. That will of course be admitted, but the losses would not begin to equal those that are continually taking place now. The excessive interest and expense of maintenance resulting from the use of the false system under which we operate is so great that, notwithstanding all of the modern inventions that have immensely increased the people's productive energy, most of us fail to secure the ordinary advantages that are due from this civilization to every honest, industrious person. The interest, dividend, and rent charges alone, compounded as they are now, are absolutely sure to keep the greatest number of people in want and many in misery.

I do not say demonetize gold. I simply say cease to monetize it. Coin no more metal with the legal-tender character attached except that required for small change. Our gold will circulate in foreign markets on its weight and quality equally well without the legal-tender privilege as long as foreigners will use it for their legal tender. Gold will do that as an article of commerce, and foreign nations may convert it into their own legal tender if they like, but any nation that uses gold as legal tender after a great nation like our own ceases to do so will be adding additional burdens to the present burdens of its people. Whatever gold we have in excess of what we need for the sciences and arts we can dispose of for such articles of commerce as we actually require, and it will be that much to our advantage as against the present practice of hoarding it. We have more gold than any other nation, and if we cease to monetize it the other nations will soon do the same. The common intelligence of the people generally has reached a point where they ought to take the lead in forwarding a plan which will prove the use of any commodity as legal tender to be a fallacy and result in the eventual discontinuance of such a practice. America should lead in doing this.

Let us consider in concrete form the effect that the money loaners' dollars (which, by the way, are the dollars that we use) have on the cost of things—and when I say cost I mean the expenditure in human toil necessary to acquire the necessaries, conveniences, advantages, and luxuries appropriate to human life. I shall not burden anyone

with detailed figures, because a mere statement will satisfy those who are sufficiently interested to study the present practices in the light of their own observation and experience. I have examined the table of prices of various staple articles for a period covering 45 years and have come to the conclusion that the money loaners' dollar is not a measure fitted to the requirements of a people desiring equitable relations with each other. It is simply a gambling dollar, and prices are regulated by a manipulation of it instead of by the intrinsic value the commodities possess as articles of necessity. The people who are engaged in useful occupations producing commodities or serving other demands of society are prevented from making the natural interchange of their products and services, because of the injection into their commerce of a fake currency and banking system, by the use of which speculators and financiers, so called, are able to pillage on all the exchanges. The system built up by these pillagers is an unnatural and unjust one.

It often happens that the aggregate value in money of a large quantity of a useful commodity will command less in one year than that of a smaller quantity brought in another year. Who, for instance, will claim that 3,000,000,000 bushels of wheat (supposing that to be the world's crop) is worth less in the aggregate for food and seed than 2,700,000,000 bushels, other things being equal, except money, which seldom is? No one claims that 3,000,000,000 bushels of wheat is actually worth less than 2,700,000,000. It is a fact, however, that the lesser quantity will often sell for as much, and sometimes more, than the larger quantity. A difference of 10 cents a bushel will accomplish that result, if the 3,000,000,000 sold for 90 cents and the 2,700,000,000 sold for $1. Illustrative of that fact, let me quote the following from the Saturday Evening Post of March 15, 1913:

THE VICIOUS CIRCLE.

We harvested bumper crops last year, you remember. May wheat at Chicago is worth 10 cents a bushel less than a year ago; corn and oats about 15 cents less. Yet commodity prices, as a whole, have declined scarcely at all. The index number, which compounds the price of many leading articles, is almost as high as ever, which means the cost of living is still about at the top notch.

The bumper crops stimulated trade in many lines, and that usually brings higher prices; while wheat went down, iron and steel products went up. What you saved on flour you lost on the pan to bake it in. And Wall Street echoes with complaints that investors, spurred on by higher cost of living, are demanding more interest, thereby raising the cost of manufacturing and transportation. This higher cost must be offset by higher prices, to overcome which investors must demand still more interest.

Meanwhile labor, so to speak, chases its own tail, demanding higher wages, which result in higher prices that consume the increased wages—which naturally induces a demand for still higher wages that result in still higher prices.

Every farmer knows that a difference of 10 cents a bushel between the price a commodity brings in one year and the price it brings a different year is not uncommon, but the railways charge full price for shipping every bushel, and the larger the crop the more they get, while the farmer must handle the additional wheat and get less for it. A farmer having the equivalent of 300 bushels of wheat to sell in a year when crops are generally abundant expects to receive a little less per bushel than he would receive per bushel for 270 bushels in a year when crops were not abundant, but he does not expect to give away the 30 bushels difference because he has more wheat than the year before. If that were to be the result, it would pay him, from his own

individual financial standpoint, to burn up a part of his crop when it was abundant. In fact, the cotton farmers of the South started to do that a few years ago when there was a large crop, and the price was very low. If the credit of the people had been coined into their own money instead of into the money-loaner's money, no thought of so destructive a nature would ever have occurred to the cotton growers or to any other producer of commodities.

There should be no legal tender other than that issued by the Government, and no individual ought to be able to obtain it without giving its equivalent in return. If such were the case the problem of interest (as a disturbing factor) would cease, and a new era would dawn upon the world. The present difficult problems created by our arbitrary and ridiculous banking and currency system would then give place to natural selection. I use the term "natural selection" in its scientific sense, because we can not run the Government in the interest of the people unless we follow the supreme laws that will unquestionably govern in the end. When we do there will be no choking up of the system by the arbitrary acts of the financial kings, for they are but a product of the arbitrary and unnatural practices that the people have fallen into the habit of using as a means of conducting their business, nor will the majority of men be paying penalties in the form of overwork, worry, and discouragement.

The bankers have a true system of clearing exchanges. As an example of that, I call attention to the fact that in 1911 there was cleared through the 140 clearing-house associations $92,420,120,092. Their scheme is a good one for taking care of the exchanges of the country, and it helps the country as long as we have not a better one. By its use only $47.80 of actual cash was required in order to handle each $1,000,000 (of checks on the banks) that passes through the clearing houses. But unfortunately for us, the fees the bankers charge for putting our own credit on their books, before we are even enabled to draw checks, is so great that the people generally are overburdened by reason of it.

Of course these exchanges should go on wherever they serve the general welfare, and since we ourselves have not provided a better method we are under obligations to the bankers for having honored and made current and merchantable our own credit. But since these exchanges relate to our business and are used directly by most of us at some time, and indirectly by all of us all of the time, we should establish a system that will give us the least costly service. The main thing for us to do is to eliminate most of the interest charges and make it practicable for the human family to thrive by industry by having industry available to all people who wish to be and are industrious. That does not mean that the banks should be superseded by new exchange agents, but it does mean that the banks should be required to adjust to a new system that will cost the people less. It means also that there would be fewer banks, because under any economic system of exchange there would be no more necessity for several banks in cities of less than ten or twenty thousand people than there would be a need for several post offices in towns of that size.

Let us take up the discussion from still another viewpoint in order that no one shall possibly misunderstand. Money as such is not a thing of prime necessity. It is merely a convenience which enables

us to make such exchanges as we may wish without the cumbersome handling of property.

The banks have taught us to use checks instead of the actual money, and it is true that they cash these, but, as we observed before, we can not draw checks until we have arranged with our banker, and in order to make that arrangement, unless we have the real money, we must pay him interest at a rate that makes the greatest number of men poor and a few enormously rich. The fact that the bankers can make exchanges that represent hundreds of billions of dollars annually, when, as a matter of fact, there never was at any one time as much as $1,700,000,000 in all of the banks combined, and of the money they do actually hold, which is approximately $1,500,000,000, two-thirds of it or more is lying dead in their vaults as reserves and is never used.

We are under obligations to the banks for teaching us this economy in the use of money and credit. But, after all, as we observed before, the credit is supported and maintained by the resources of the people and the daily application of their energy. The banks have simply filled the office of making it current and merchantable. We do not owe that tribute to the bankers, and, thanking them for the good that they have done, but for which they have been overpaid, we are now prepared as a people in our national capacity to pass the necessary laws and to perform the governmental function laid down by the Constitution, "To coin money, regulate the value thereof" (and "of foreign coin" when used in our country) in behalf of all the people of these United States. We should profit by the example of the banks in copying somewhat after some parts of the system they have used for making exchanges, but as a Government we ought to furnish the advantage to all of the people on equality and with the least expense practicable. The Government can do what the banks are doing and save to the people as much as the banks make in excessive dividends, besides the still greater profits that are made on speculation on the side.

The Government shall "coin money and regulate the value thereof." That is the constitutional provision. The great special interests have been sticklers for following the Constitution whenever it has blocked the way to the people's progress if that might in any way interfere with the practice of the interests, but whenever the special interests find it to their advantage to follow any practice profitable to them, the fact that such practice may be in contravention to the Constitution and the laws does not in the least embarrass or hinder them, as long as the people do not invoke the law. When the people do, every possible dilatory tactic is resorted to by the interests to delay compliance. The consequence has been that the Constitution has often been used as an instrument to prevent the people from enforcing their rights.

"Sound money" will be the song that will be sung to you by every advocate of the special interests. I have shown, and they have already stated and proved, that what they have in the past called "sound money" is not "sound." By doing that they aid me. By that admission they disclose the fact, and it is a fact, that they have defrauded all of the people by their so-called "sound money." Their kind of sound money has enabled them to become wealthy and independent, but it has prevented the people generally from doing what

they have a right to do, and should have done, namely, retained the fruits of their own labor.

The kind of exchange that we should use is the kind that anybody who has value to give can get without paying usury. That kind will be the sound money of the people—the honest money. Those who wish gold may have it—there will be nothing to prevent their buying it. We, the people, on their presenting it, will stamp its weight and fineness for anyone who will pay the cost of doing so. We will do that to insure to the people who wish the gold the amount the Government stamp certifies that there is in any given piece of metal. That is honest, and to do anything more is dishonest to the people, but the Government could not say that it was legal tender and thereby give it a special quality that it did not possess in itself. We can do the same with any commodity that it is practicable to use as a thing of exchange. The demand for commodities of all kinds will be in proportion to the service they may render to the people, and no one should complain when absolute justice is to be done. As a consequence the Government would create no more "commodity" money either for itself or for the people, because it would not only be unjust to do so but unnecessary and ridiculous. When anyone wishes commodities let them buy them as such.

Everybody knows that we must have money, and now the question arises as to what kind it shall be. "Honest money," of course, instead of what we have now and are told is "sound money," whereas in truth it is the opposite of "honest money," and should have been named accordingly. We want a kind of money the buying and selling properties of which remain respectively constant. In other words, we want a kind of money that will buy the exact equivalent of what it cost us to get it. We want the kind of money that serves the same office among the people in their commercial and social relations with each other as the drafts and checks serve in the business transactions entered into by the bankers. We do not intend that the bankers shall have a better system for themselves than we have for ourselves. We expect to pay those whose duty it will be to help make the exchanges. The bankers will be able to give as effective and valuable service in this other up-to-date system as they have given us heretofore, but the past service has been altogether too expensive and therefore not sufficiently effective. We have no prejudice to vent upon the bankers. As the system stands they serve the people, generally, the best they can. There are always, of course, a few isolated exceptions. But the time for us to do for ourselves what the bankers are doing for themselves is here and now, and we should hasten to adopt a system of exchange under which it will cost the people no more to make their commercial exchanges between each other than it costs the banks to make exchanges between the bankers and their cash customers. It is just as simple for us as it is for them, and we have the indisputable right. We owe it to ourselves, to our children, and to all posterity to have an efficient, self-sustaining, and effective system.

The people are the Government. Therefore the Government should, as the Constitution provides, regulate the value of money. There is no other real sovereign power, because all authority emanates

from the people. Money is the means of exchange among all people. Its regulation is absolutely a governmental function, and the Government has no natural inherent power that enables it to impart to money any other property or quality than that of making it the agent of exchange.

Congress is not justified in passing an act that does not do complete justice to all. Merely to improve a false old system, but still leave it in operation, to continually force a sacrifice of the people's very life energies, is criminal. The Glass bill is a living picture of the deplorable effects of the treasonable caucus system and the gag rules by means of which a few leaders control legislation. As a result the outrageous policy of extorting usury from the people to pay monopoly is to be continued. It is not conceivable that the Members of this House, if freed from the caucus gag, would stand for the Glass bill to continue a false system simply by providing 12 new houses for it to operate in. By the failure of Congress to enact a proper bill an overwhelming majority of the people will still be compelled to work too many hours per day, receive too small pay for what they do, and pay too much for what they buy, and therefore have but few of the advantages that the present-day civilization owes to them. And all this is done for the purpose of allowing those who control the material productions of the people, and the credit supported by the people, to charge them excessive interest, rents, and dividends, which when compounded by the usages of business, impoverish the people generally. Do the Members of this House expect that such a system can stand in the face of the growing intelligence of a nation of self-respecting people? The Members who have, by the caucus and the rules that gag, prevented the presentation to the House of a bill in every respect true to the people, on which a record vote of the Members unfettered would force adoption, will have to answer. The people will reply with the truth when they learn what Congress has done. This monetary legislation is a test case to divide those who favor from those who do not favor measures suited for the general welfare, but unfortunately many a Member will be able to hide behind the curtain cast around him by the secrecy of the caucus.

C. A. LINDBERGH.

NOTE.—At the last meeting of the committee my objections as to the amount of reserves required were met by amendments. Therefore my objections as to the reserve requirements are removed.

C. A. LINDBERGH.

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